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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2068

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2 December 1980

EAST EUROPE REPORT

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CONTENTS

GERMAN DEMOCRATIC REPUBLIC

Highlights of 1980 Leipzig Fall Fair Results Published (INFORMATIONEN, Sep 80)	1
Material Considerations for Rail Investment Program Analyzed (Bernd Kaatzke; SIGNAL UND SCHIENE, Sep 80)	4
Briefs New EC 1022 Computer in Erfurt	14

HUNGARY

Economist Interviewed on Aspects of Manpower Management (Janos Timar Interview; FIGYELO, 22, 29 Oct 80)	15
--	----

POLAND

'TRYBUNA LUDU' Reports on PZPR Warsaw Committee Plenum (TRYBUNA LUDU, 13 Aug 80)	25
Benefits of Trade With Polonia Discussed (Zbigniew Klejn; TRYBUNA LUDU, 13 Aug 80)	28
Commentary on Black Market, Tourism Noted (Daniel Passent; POLITYKA, 18 Oct 80)	31
Book on Role of Industrialization Planning Reviewed (Jarusz Ostaszewski; TRYBUNA LUDU, 20 Aug 80)	34

ROMANIA

Principal Factors of 1981 Plan Outlined (Toma Melinte; REVISTA ECONOMICA, 24 Oct 80)	36
---	----

Problems in Preparation for 1981 Production Viewed (Mihai Iosifescu; REVISTA ECONOMICA, 24 Oct 80)	42
New Provisions for Payments Between Socialist Units (Gh. Marcu; REVISTA ECONOMICA, 10 Oct 80)	48
Export Industries To Be Represented at Bucharest Fair (C. Mircescu; REVISTA ECONOMICA, 10 Oct 80)	52

YUGOSLAVIA

Draft Agreement Outlined for Underdeveloped Regions (OSLOBODJENJE, 9 Oct 80)	55
Conference on Drainage, Irrigation Systems in Kosovo (JEDINSTVO, 21, 25 Oct 80)	57
Shortcomings, Plans, Status Drainage Projects	
Briefs	
Yugoslav-Iranian Trade	59
Food Production in Macedonia	59
Macedonian Farmland Reduced	59

GERMAN DEMOCRATIC REPUBLIC

HIGHLIGHTS OF 1980 LEIPZIG FALL FAIR RESULTS PUBLISHED

Bonn INFORMATIONEN in German No 16, Sep 80 pp 9-11

['Background' report by FRG Ministry for Inner-German Relations: "Leipzig Fall Fair 1980"]

[Text] Approximately 6,000 export firms participated in the Leipzig Fall Fair 1980 (31 August to 3 September). The exhibitors came from 13 communist-governed states, 8 developing countries, and more than 20 Western industrial states. Just like last year, the GDR, whose export firms initiate approximately two-thirds of their sales at the Leipzig fairs, provided the largest contingent with its offers from 2,800 combines, export and industrial enterprises. The FRG was again the second largest after the GDR with 595 firms spread over an area of approximately 20,000 square meters (of a total of 290,000 square meters). Approximately 900 participants came from other Western industrial states.

While previously the spring fair was almost exclusively a technical fair, and the fall fair a pure consumer-goods fair, now both types of products are displayed both in spring and in fall. Capital goods at the 1980 fall fair were characterized by 8 lines with strong international participation: chemistry with the specialty of agrochemicals (with participation from 22 states), chemical installations (17 states), plastic machines (8 states), textile and shoe machines with the specialty of progressive textile technology (20 states), polygraphical machines (14 states), street vehicles (17 states), medical technology (17 states) as well as tools and woodworking tools (11 states). A total of 800 export and production firms of the capital goods industry from 25 states exhibited.

In the area of consumer goods, exhibitors from approximately 45 states were represented. They occupied approximately 45 percent of the exhibition area. Internationally most represented with firms from 35 states was the line of food and luxury food items.

According to the available data, the total number of exhibitors has decreased by approximately 260, and the number of developing countries by 3. The exhibition area was increased a total of 10,000 square meters. The participation of firms from the FRG and West Berlin did not change much compared to last year. The

decreasing trend of the last years did not continue (in the fall of 1979, 596 firms exhibited, in the fall of 1978 it had been 629; in 1977 648 firms had come to Leipzig, in 1976 it was 671). In view of the fact that the five-year plans for 1981 to 1985 had not been concluded yet, no major business deals with FRG firms were transacted.

Erich Honecker, secretary general of the SED and chairman of the State Council of the GDR, visited the booth of the Hoechst firm and announced, among other things: "I can see, in the name of the GDR government also, that we are very interested in the continued normalization of the relations between the GDR and the FRG, and that we are fully aware of the fact that the continued normalization of these relations will contribute to furthering the process of detente in Europe, that in connection with that it will open new horizons for the cooperation between the two German states, and simultaneously help the process of cooperation as determined in the Helsinki accords."

Guenther Gaus, head of the FRG representation in the GDR, had previously said, among other things: "The FRG government welcomes the favorable development of trade between the two German states. The chancellor and the government are always willing and ready to broaden relations in all other areas also, to bring about normalization as far as possible. The chancellor agrees with your understanding.... that all efforts at continued normalization are an outstanding contribution by both German states to maintaining the peace. We want continued contacts and talks."

GDR Foreign Trade Minister Horst Soelle and Secretary of State Dieter von Wuerzen of the FRG Ministry for Economics negotiated at the fair about a new skeleton agreement between the two German states, which will run for 5 years. According to it, a purchase of 1.25 million tons of lignite briquets, with an additional option of .25 million tons, is planned. This option included, the amount exceeds by 100,000 tons the amount set in the contract which is ending now. Delivery of lignite to West Berlin is to be negotiated separately. West German firms will deliver machines for lignite processing worth DM 10 to 20 million as a countermove to the new contracts.

Secretary of State von Wuerzen had already worked out a skeleton agreement at the 1979 fall fair, according to which the delivery of crude oil to the GDR and purchase of mineral oil products from the GDR were set on a long-range basis and the annual deliveries from West German bituminous coal mines to the GDR amounting to DM 250 million were included. Last year's agreement covers a 6-year period (1980 to 1985).

On September 6, Secretary of State von Wuerzen evaluated the new agreement over Broadcast Free Berlin as follows:

"What is new in this agreement...is that we are deciding on 5 years, not on the amount. And what is new is also the fact that this is to be tied to a deal according to which we deliver machines to the GDR for processing this lignite. This is interesting because through this processing--which consists of a special pulverization process whereby this coal becomes better suited for use in, e.g., the cement industry--the market potential of lignite is increased here in the FRG."

Von Wuerzen further emphasized in the interview that GDR Foreign Trade Minister Stoelle has "expressed very clearly that he is interested in the intensification and expansion of this inter-German trade, especially in the area we call basic industry, i.e., delivery of machines, of electrotechnical goods, consumer goods and other things."

According to the scarce reporting in the GDR media, it was also agreed that the GDR will deliver to the FRG within a 5-year period foundry accessories worth 26 million Valuta Marks (VM), as well as special chemicals worth VM 5 million.

Reports regarding other GDR trade agreements do not allow any final conclusions about the actual extent of GDR exports and imports.

Export: Among other things, agreed with Western states was: projection, montage and putting into operation of high-voltage, measuring, steering and control technologies for a chemical fertilizer firm in France, delivery of a roll-turning machine to Austria, pianos to Greece, Norway and Italy and dolls to Great Britain.

The GDR will deliver to the USSR: hydraulic cylinders worth 10 million rubles, roller offset printing machines also worth 10 million rubles, electronic measuring technology worth 25 million rubles, as well as textile accessories, chemical raw materials and auxiliary materials. Additional agreements regulate deliveries in areas such as measuring technology, machine-tool industry, electrotechnology, packaging machines and metallurgy. For 145 million rubles, the GDR wants to build refrigerator ships and bulk freighters for the USSR.

The GDR wants to deliver to Afghanistan and Vietnam automatic rotary cranes and other hoisting equipment, to Cuba plant protective sprays and pesticides as well as 4,200 diesel engines, to Brazil knitting machines and weaving frames, and automobile tractors to the Mongolian People's Republic. Zambia and Ethiopia are to get tractors, Angola textile products worth VM 5 million as well as electric circuits and transformer stations.

Import: According to reports in NEUES DEUTSCHLAND, the GDR has negotiated for the following imports, among other things: crude iron, rolled steel, and other metals from the USSR, also "large numbers" of heating units for residential construction, as well as chemical products. From Finland the GDR receives fork lifts, from Austria track laying machinery, and rugs and pelts from the Mongolian People's Republic.

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CSO: 2300

MATERIAL CONSIDERATIONS FOR RAIL INVESTMENT PROGRAM ANALYZED

East Berlin SIGNAL UND SCHIENE in German Vol 24 No 5, Sep 80 signed to press
15 Aug 80 pp 211-214

[Article by Bernd Kaatzke, engineer, chief, rules section, Central Office for Investment Allocators, Deutsche Reichsbahn (German Railway System): "Evaluating the Seventh Construction Conference: Effectiveness in the Investment Process of the German Railway System"]

[Text] The investment process which per se is complicated and comprehensive is characterized as a component of the reproduction of basic assets and, in the existing structure of the GDR Railroad, by a high degree of effective division of labor. With consideration of the decisions made by party and government in respect to investment activity and of the most recent legal regulations and innerenterprise controls of this process the author deals with several aspects which influence the efficiency of the investment process in connection with the GDR Railroad.

0. Preliminary Remarks

As a transport enterprise the GDR railroad is responsible for meeting the needs for transport capacities with minimal cost. The efficiency of the investment process is influenced not only by the GDR Railroad's technical units for investments, but also by the responsible structural units, for example, in the preliminary stages in planning construction technology and in the utilization of newly created or expanded basic assets.

1. Preliminary Stages

1.1 Studies of Basic Assets Management

On the basis of analyses of condition (technical and moral wear and tear), the utilization of existing basic assets, transport requirements, the findings of research and development, territorial conditions and capabilities and of long-term designs and programs, studies concerning the management of basic assets must be undertaken by offices which administer basic assets (in the case of rebuilding) and by those which work with basic assets (in the case of expansion) as a

prerequisite for justifying the need for investments. In this, the point of departure must be the general realization that not every technical, technological or economic problem can be solved in only one way, but rather that various possibilities are conceivable for solving the problem. Appropriate planning may take place only if the result of studies concerning basic assets management demonstrates the need for an investment as the only possibility for solving the problem.

Practice has proved that reserves are still available here in that, for example, no damage or not proportional immediately visible damage occurred when there was a substantial delay in starting operation in the transport process or in the auxiliary and secondary processes for which investment was planned. Thus, even in the case of essential investments there must be a very precise study of how long existing basic assets can still fulfill their function with defensible maintenance costs. In addition, variants must be investigated which possibly will solve the problem only for an interim period (for example, clustering, reduction in distances between blocks, automation of routes or relief trains over other routes if there is a need to increase handling capacity).

1.2 Investment Proposal (Formerly Request Program)

The findings which were gathered in the process of studying basic assets management, in particular the finding that an investment is unavoidable, must be worked into the investment proposal by the offices proposing the investment.

Since the designation "request program" resulted in a false interpretation of the data which are made available to the technical office for investments for further preparation and implementation, the new designation "investment proposal" is being introduced in 1980 via an investment decree from the GDR railroad, replacing the GDR Railroad's investment guideline of 8 March 1972. The misinterpretation of the concept "request program" stemmed from the fact that investments were simply requested without providing any proof of the necessity and extent of the investment.

The experiences of the past few years in the request program reveal special problems in obtaining up to date inventory data in respect to existing basic assets. Since they comprise the basis for evaluating the condition of existing basic assets, it is absolutely essential that in the future inventory data for sections of routes, stations, structures and buildings which are to undergo expansion or renovation be acquired or updated to reflect the most recent status in a sufficiently timely manner by the responsible offices which administer basic assets.

Therefore, the claim that a decision on investments planned for the next Five-Year Plan period will be made too late cannot be accepted for the absence of inventory data which have been completely updated. Inventory data which are lacking or which have not been actualized have a substantial influence on the efficiency of implementing investment by virtue of disruptions during preparation and in the course of construction. In the future, if up-to-date inventory data are not available, there still can no longer be such extreme situations as designing a signal box right over an underground cesspool if the designer undertakes a site inspection prior to beginning his work.

If at the time of submitting the investment proposal there is still some construction work at the future building site and if therefore the location of structures and buildings, underground lines, and so forth, cannot be finally fixed in the inventory data, then in any case reference to work still in progress is essential in respect to such inventory data.

2. Project Specifications

The project specifications for preparing an investment are developed as a responsibility of the GDR Railroad's technical units for investments. The project specifications must establish specific goals for the level to be achieved from a technical, technological and economic point of view. Moreover, the data essential for first-rate preparation must be completed and the interrelationships must be extensively clarified in respect to the GDR Railroad enterprise, the territory and to future contractors.

The scope and number of documents to be prepared are determined by the specifics of the investment and coordination. Although according to current legal regulations [1] the subject matter includes only data, specifications, evidence, objectives, and so forth, the deadlines and indexes for further preparation and implementation, which come up for confirmation with the project specifications, are a binding standard, that is, the efficiency of the use of investment capital is extensively determined by the project specifications, and further preparation and implementation are measured in terms of the observance of the indices and values being confirmed.

In this phase the following are particularly important for efficiency:

- rejection of requests by the primary service branches involved which are not directly associated with the concern of the actual investment or which can be achieved even with a lower cost
- examination of requests with respect to the outfitting program, space program, useable areas, observance of normative provisions, and similar things
- minimizing followup investments, especially for replacement and moving
- consideration of the highest scientific-technical level and agreement about the possibility of realizing the shortest construction times
- specification of the most real values possible for the investment cost on the basis of normative provisions for cost, recycling projects, empirical values, and similar things
- orientation toward also designing or scheduling recyclable solutions if certain cuts in space design, utilization of surface area, and so forth, are necessary
- minimizing redesigning and designs for adjustments
- optimization of enterprise conditions to realize construction with consideration of the principle "rail movement and construction."

The biggest problems in this phase always occur when the responsible technical units for investments disagree with the participating service offices and administrative agencies in respect to related requests which come up in connection with collaborative actions. In principle, decisions on such problems must be based on the idea that anything not absolutely essential for solving the investment task has nothing to do with the investment. However, in connection with an investment full attention must be devoted to working and living conditions.

It is absolutely necessary to give consideration to minimization in the case of follow-up investments [2], particularly for reasons relating to the possibility for unhindered work on a construction project. Possibilities for minimizing stem not only from appropriate site selection, but also from compact methods of construction, extensive maintenance of existing construction with the help of underpinnings, retaining walls, reconstruction jobs, and similar things, and from precise checking of the necessity for replacement construction in general.

Buildings and structures which are no longer used at all and which for reasons of unobstructed construction must be torn down must not lead to replacement involving completely new purposes. In the investment outlay consideration can be given only to demolition or scrapping, respectively.

In the phase of developing the project specifications, studies must also be made as to whether full capacity must be treated in the first phase, or whether specific expansion stages at graduated intervals can also meet gradually increasing needs.

3. Policy Decision

The phase of developing the documentation for the policy decision, including review, obtaining expert opinion and the making of the policy decision itself, is characterized as preparation for the investment. The GDR Railroad's technical units for investments are responsible for preparing the investment. They have the task of guaranteeing the joint efforts, called for by the legislative organ, in the phase of preparing a specific investment, and in the process of preparation they must also provide clarity with respect to the

- basic technological, functional and construction-based solution, and the solution relating to construction technology
- necessary material and financial costs
- schedules for the course of realization and starting operation
- integration with respect to interrelated targets and guaranteeing materials.

The manager who is authorized to do this may make the policy decision only if, with demonstrated clarity, the specifications confirmed in the project specifications are observed or improved and thus the economically most effective solution of the investment task is documented. In this phase the economically most efficient use of investments depends to a substantial degree on the binding bids by the contractors and, especially in this case, on the binding price quotation which is a component of the binding bid.

The difficulties which at present still exist in the economy in respect to balancing construction capacities often resulted in the fact that at the time of making the policy decision no contractors were identified who could have submitted a binding bid for their volume of supply and performance. If, in spite of that, policy decisions were made (in connection with which the technical units for investments drew support from the fact that they themselves are responsible for calculating the costs of the total investment), nonetheless on the other hand it must be unambiguously stated that the clarity thus demanded is not possible in respect to the requisite costs or to the scheduled course of investment. With the new legal

regulations on balancing [3], the prerequisites are created for the fact that, in the future, balancing based on the project specifications will be done within 8 weeks and thus the contractors would have to be known at least theoretically at the time of the policy decision. The efficiency of the use of investment capital requires that the binding bids be thoroughly checked by the technical units for investments in respect to their necessity and their scope. Beyond that, the binding price quotations must also be checked for observance of the price law. The GDR railroad's practice in passive price control proves that substantial investment capital can be saved in this area. In this, the lower share of capital saved can be attributed to genuine breaches of price, the higher share to essential capacities which are not of the scale as bid and inefficient technologies.

One of the most important criteria of efficiency is construction time. It is determined by the technology being used and by the efficiency of the enterprise doing the work (unit operation, total capacity per year, and other things). Beyond that, in the case of the enterprise conditions of the GDR Railroad, it is very substantially determined by the available idle periods and by the idle conditions incorporated, respectively. An example: the normative provision for output in the second tamping round, given a 4-hour idle period, amounts to 1,350 meters of track, if the idle period is doubled to 8 hours, the normative provision for output is 3,500 meters, that is 800 more than twice the track length tamped.

3.1 Binding Price Quotation

The binding price quotation is the upper limit of the industry's price which is to be agreed upon for the delivery or performance offered. It can contain estimated prices, especially if the binding bids were determined on the basis of bid projects, reuse projects and on price indexes or other more highly aggregated prices.

In cases where capacities can only be finally determined with the working design, then estimated prices must in any event be incorporated in the binding price quotation in respect to the policy decision. Estimated prices are provisional prices. They must not be exceeded when converted to final prices or when settling up for verification.

As already shown, in the case of longer idle periods not only is greater output achieved and thus early completion, but the output per unit is also cheaper. With a 4-hour idle period the second tamping costs M17,988 per km. With an 8-hour idle period it is M7,068 per km. As a result, the possible normative output of 3,500 meters in the above mentioned example in the 8-hour idle period costs about M24,300. In planning related to construction technology, therefore, economic questions must also be taken into consideration.

A further possibility for increasing efficiency consists in using the occasion of otherwise necessary idle periods to accomplish other jobs which can be done under the same idle conditions.

With increasing transport capacities the possibility of making longer idle periods available is further limited. Thus, the construction sector is forced to be able to work efficiently in shorter idle periods generally, to allow for and acquire expensive basic assets, respectively. But if these are used in shorter idle periods,

on a single-shift basis they are not even fully utilized. Since the idle conditions are controlled via the price, that could be an occasion for considering whether the goods-money relations between the construction and transport sectors are generally efficient.

3.2 Simplifications in the Investment Preparation Process

Every earlier decision on any investment increases the period of time for the indirect technical and technological preparation of implementing the investment and thus increases efficiency. The possibility of confirming the project specifications as general policy takes this into account. If, supplemented by calculations of useful effect and determinations of cost, respectively, they are in keeping with the following criteria:

- investment measures, that is, investments without a construction and assembly share
- investment projects in which the share of construction does not exceed 10 percent of the investment cost, yet is not higher than M500,000 and
- renovation investments totalling up to M5 million.

In the process of preparing the documentation for the policy decision intermediate decisions which made the project specifications specific can also be provided for. In this, attention must be paid to the fact that the cost from studies of variants which are still in progress or from the inclusion of research and development results which are still not available must be contained in the project specifications toward the safe side since changes in decisions will in any case have a substantial impact on the efficiency of the investment process. Finally, mention should also be made of the fact that workable partial projects can be set down in the project specifications for which separate policy decisions are possible as needed.

In subdividing an overall project into partial projects the principle of utilization is decisive since only in this way can there be an increase in efficiency in the form of a more rapid start of operation of partial capacities.

4. Guaranteeing Materials

Guaranteeing the materials of the projects include

- determining the requirements for design, construction and assembly capacities and for equipment and material
- submission to the appropriate balancing organizations
- balancing itself, inclusive of targeting the balanced enterprises by the balancing organizations
- and contractual obligation.

The technical units for investments are responsible for determining requirements and submission on the basis of the project specifications. Concentration and high efficiency of investments can, on the part of the investment allocators, be provided for with the plan and with the submission of requirements in respect to the balance sheets. Whether they are actually achieved can first be seen from the result of the balance sheet.

The new legal regulations [3] assume that, in developing the drafts of the year's plan, there will clearly be definitive consideration of unsolved problems in balancing which could not be cleared up in comprehensive consultations either. In the extent the balance sheet was not produced or was not produced in complete form, the wish for concentrated realization cannot be upheld in the plan, either. In this case decisions become necessary about whether a start should be made at all or whether in the case of continuation projects cessation is not the economically more favorable solution.

The need for cooperative efforts in the construction sector is at presently jointly submitted and defended by the balancing organizations within the context of the overall need for cooperation in respect to the construction industry, by the technical units for investments of the agents of the investment allocators. The balancing of these cooperative efforts for our own general contractors and main contractors is thus a prerequisite for fulfilling their contracts. This innerenterprise control by the GDR Railroad should be subjected to review since it is not in line with Para 13 of the decree concerning implementation of investments [4].

In reviewing the current innerenterprise control by the GDR Railroad there must, however, be a guarantee that the GDR Railroad in respect to certain political districts, continue to be involved. That is nonetheless also the practice at present in the case of the construction sector's investments and would not need to encounter fundamental problems.

4.1 Use of General Contractors and Main Contractors

General contractors and main contractors who do not carry out their tasks in accordance with the current legal regulations are not suited to guarantee concentrated implementation and starting operation ahead of schedule. Thus, legal regulations [4] provide for the use of general contractors only if their efficiency, their experiences and demonstrated cooperative relations in preparation and implementation will result in a high degree of economic usefulness. Moreover, there must be a high degree of reproductibility of their buildings and installations which are to be realized under general contractorship and of their design and coordination efforts. In addition to coordinating and managing an investment by means of directing capital development, use of main contractors is viewed as an essential element in increasing efficiency. In respect to guaranteeing main contractors must develop, design and build complete functional facilities. Performance exclusions are not permitted in respect to the scope of performance which is reflected in the terminology of general contractors and main contractors.

4.2 Contractual Guaranteeing

The contractor is obligated to bind the balanced and targeted outputs contractually with the investment allocators. In respect to the efficiency of the investment process there are two aspects in particular:

--contractual binding must be accomplished in good time prior to beginning work. This also applies for design work.

--Contracts are to be shaped in such a way that the material capacities, which have been balanced for the annual goals, are also guaranteed by contracts with appropriate technologically or economically based interim schedules

Unfortunately, current contract law does not provide the opportunity to implement materially balanced and targeted annual goals as a component of contracts. The tasks of the legal advisors and people who draw up contracts, therefore, consist in finding a technological or economic justification for a specific production level which is required at about the turn of the year, in order to guarantee the balanced annual goals in the contracts, too.

Shaping contracts with the help of the contract court must be implemented earlier to the extent that a solution, which is in keeping with planning and balancing, cannot be found in the case of solutions for which the responsibility is solely between contracting parties. Decisions by the contract courts which are not available until much later in the current year for the most part no longer guarantee realization of the project at the planned level for the year.

5. Investment Implementation

With projects which are realized over a longer period of time new findings from research and development can still have an influence on the efficiency of the investment. Therefore, even in the implementation phase, the legislative organ also permits change in order to include new findings, among others, from the innovators movement. Nonetheless, the basic assumption must be that the inclusion of such new findings must be put into proportion to the economic effects of redesigning and possible disruption of the progress of construction in respect to time. Thus, it is not a question of including the results of research and development at any price, but rather in a reasonable economic proportion to the overall effects.

The efficiency of implementing investment in the case of construction under enterprise conditions is influenced by three essential factors. These concern:

- guaranteeing proposed idle times at the scheduled time
- use of established idle times by the contractor
- observance of idle times by the contractor.

Exceeding GDR railroad regulations for operation and construction [Betra] or their non-use is mostly a sign of unsatisfactory technological preparation for the jobs in the GDR railroad regulations for operation and construction in so far as the cause does not come from too late guaranteeing of idle times by the transport sector.

In delayed guaranteeing of the idle time there should be a basic review of whether it can then be used at all. In this, it must not be assumed that in the case of delayed guaranteeing the contractor may automatically exceed the idle time by the same amount of time.

5.1 Purchase

The GDR Railroad's technical units for investments of the agents of the investment allocators, as the contracting partners in respect to the contractors, are responsible for the purchase in terms of contract law. The innerenterprise controls by the GDR Railroad provide that in the case of purchase in terms of contract law transfer to the using offices or the offices that administer the basic assets will

take place at the same time. This is thus necessary because the directorates of capital development of the GDR Railroad have no capacities at their disposal in order to maintain basic assets which in the meantime have been purchased in terms of contract law. Moreover, the users themselves must be able to join in establishing specific deficiencies which possibly will impair usability and must be eliminated by the contractor.

5.2 Entries on the Assets Side

If investments are purchased and paid for in terms of contract law, then on a short-term basis posting into the basic assets inventory must be done by entries on the assets side. Since even the work of contractors must be purchased and paid for according to contract law, if they have contractually bound only parts of usable facilities, then use is not simultaneously possible in a number of purchases. Capacities which have been paid for, but not yet entered on the assets side burden the GDR Railroad as unfinished investment. The GDR Railroad pays a production fund tax for this. In respect to the efficiency of the investment process it is thus of the utmost importance to use to the full extent the existing regulations concerning partial entry on the assets side, not to permit outstanding debts in the assets side for used facilities and to coordinate construction in the technologies in such a way that capacities of other contractors which are not yet available for use are produced without delay.

6. Use of Newly Created Basic Assets

In respect to efficiency, two aspects should be mentioned here: the full utilization of the newly created basic assets by the using offices of the GDR Railroad and the implementation of performance guarantee claims by the agencies administering the basic assets for deficiencies, which might still occur, against the contractors.

7. Concluding Remarks

The specific aspects presented concerning the efficiency of the investment process are integral components of the general goals for implementing higher demands for quality of investment and construction activity. In evaluating the Seventh Construction Conference the following goals, among others, must be stressed:

- strengthening the material-technical base of the economy in order to increase economic performance in our republic with consideration of the unity of economic and social policy

- proper development of construction and design capacities, especially for complete track construction, railroad bridge building and the further electrification of main routes

- upgrading planning and managing activity, for example, by closer association between the plan parts for science and technology, investment and construction production

- guaranteeing the economically most favorable order of priority and sequence from the beginning of investment up to entry on the assets side

- constructive further development of cooperation by the structural units of the

GDR Railroad which are involved in the process and also with the State Planning Commission, the construction industry, local councils and the balancing organizations, with the goal of creating prerequisites for stable planning and balancing for the entire period of implementation

--upgrading preparation in respect to information and a head start in respect to time through comparisons of variants, calculations of optimization, inclusion of the contractors, increasing the share of bid projects and reusable solutions, direct cooperation by the design, construction and assembly enterprises of the GDR Railroad

--lowering construction costs by about 15 percent and shortening construction times by 30-50 percent

--material and energy economic planning, preparation and implementation of investments

--increasing our own production of rationalization means.

FOOTNOTES

1. "Decree on Preparing Investments, 13 July 1978," GBL [Legal Gazette] Pt I, No 23, p 251
2. "Decree on Planning, Preparing and Implementing Followup Investments, 13 July 1978," GBL Pt I, No 23, p 257
3. "Decree on Construction Balancing and Balancing of Construction Planning and Design, 15 May 1980," GBL Pt I, No 15, p 127
4. "Decree on Implementing Investments, 27 March 1980," GBL Pt I, No 13, p 107

12124

CSO: 2300

GERMAN DEMOCRATIC REPUBLIC

BRIEFS

NEW EC 1022 COMPUTER IN ERFURT-- [Photo caption] In the VEB Starksstrom Anlagenbau (power plant construction enterprise) in Erfurt a modern EC 1022 computer began operation recently. Now the staff of the computer center are concentrating on completion of data acquisition and office space as well as of the volume archives by the end of the year. Then the computer, which will help eliminate 25 workers, chiefly in technology and design, will substantially support the production preparation. In all an annual yield of 5.7 million marks is expected to accrue to the operation. [Text] [Erfurt DAS VOLK in German 29 Oct 80 p 1]

CSO: 2300

ECONOMIST INTERVIEWED ON ASPECTS OF MANPOWER MANAGEMENT

Budapest FIGYELO in Hungarian 22, 29 Oct 80 p 5

[Interview with Dr Janos Timar, chairman of the Labor Studies Department of the Karoly Marx Economics University in Budapest, by Csaba Vertes, no date given]

22 Oct 80, p 22

[Text] Recently, more and more newspaper articles and statements are appearing to the effect that noteworthy and sound changes have characterized our manpower management, and in general our manpower situation. To illustrate, here are several partial quotes from various evaluations and analyses: "...the resolute positions taken by the supervisory authorities have prompted the managing organs to make more realistic evaluations of the manpower situation." Or: "...the practice of increasing personnel or retaining reserves at any cost is no longer a general phenomenon." Then: "There are indisputable signs and results in response to the measures taken for discovering and making use of manpower reserves," and in fact: "...the positive processes which began earlier are speeding up." Next: "Dealing with people, making the labor of workers more effective...that is, improving the level of manpower management have been given a greater role in the activities of enterprise leaders at the different levels." And finally: "We had no special problems this year with manpower planning, and I believe that at our enterprises this is the result of a change of attitude evident among the leaders...We considered the situation and it occurred to us that we could do nothing about the manpower shortage by means of hand wringing and wailing."

Of course, after most of the quotes there is the certain "but" (as for example: "...but the favorable process is still not general...") although most of the statements and evaluations ascribe the changes in manpower management to the "resolute positions taken by the supervisory authorities," "to the stricter requirements" and--as a consequence of all these things "to the changes of attitude" among the enterprise leaders. In some cases, like a minor motif to the main theme, other opinions are also spoken and written. For example: "Under certain circumstances and conditions an enterprise may be forced to reduce its manpower demands even if there is still some unemployed manpower in the district where it operates. Such circumstances may be created by the economic environment and the general economic situation."

This is where we started our interview with Dr Janos Timar, university professor and chairman of the Labor Studies Department of the Karoly Marx Economics University.

[Answer] I also think, said Janos Timar, that we may be witnesses to unusual and by themselves favorable changes. For example, according to the labor turnover statistics for the first half of the year, as compared to the year before, the ratio of work departures initiated by employers almost doubled. Let me add that this is still scarcely one-fifth of the total manpower turnover. Despite this, the phenomenon itself is actually unusual by us, and it indicates some easing of the tensions--the sharp contradictions in supply and demand--of the labor market. But in analyzing and evaluating the changes in the manpower situation, we cannot ignore the statistical facts which illustrate the general management situation.

According to the August data of the KSH [Central Statistical Office] the production of the socialist industry on basis of gross production value declined by 1 percent as compared to the same period for last year. The number of employed declined by almost 3 percent and the number of physical workers by more than 3 percent. And the essential thing is that productivity--calculated on the basis of gross production value declined by 1 percent as compared to the same period for last year. The number of employed declined by almost 3 percent and the number of physical workers by more than 3 percent. And the essential thing is that productivity--calculated on the basis of gross production value per one employee--rose only minimally. On the basis of such a statistical picture it is difficult to agree with views like those alluded to from time to time by FIGYELŐ that the present manpower situation is characterized only by favorable changes. I have read, for example, that the enterprises are mobilizing their internal reserves better than ever before. But the foregoing data indicate to me the opposite, namely the retention of growing manpower reserves.

Even without a penetrating analysis it can be seen that the present manpower situation, now as always, reflects the general management situation. The manpower situation has changed only to the extent that the general economic situation has also changed.

[Question] I sense certain contradictions here. The statistical data indicate on one hand that the enterprise attitude is still characterized by efforts at retaining manpower reserves; and on the other hand that the changes--hopefully temporary--can be ascribed to the low rate of economic development. That is, declining production and declining manpower...

[Answer] And what you are asking is how do we arrive at unchanging or increasing manpower reserves, are you not? Well, in this way: the undeniable reduction in the demand for manpower was not caused either by efficiency or productivity growth. But the extent, importance and effect were re-evaluated by the enterprises in a characteristic way: it is impossible to tell when the possibility for a greater ratio of production growth will exist, and therefore--what is sure is sure--we will adjust to the actual situation only in some manner. The enterprise attitude is characterized by a certain degree of reserve. Those who count on an upswing do not believe that in such a case they can regain the necessary manpower. On the other hand--and perhaps this is even more characteristic--the leaders who would dismiss employees superfluous for the enterprise would not frequently encounter understanding in their society, and neither is this made easy by social policy conditions. Hence they must consider manpower reduction twice.

[Question] That is to say, the situation has not changed much in practice?

[Answer] I have not counted but I am repeating about the third time that there are, to be sure, changes underneath in which the signs of rationalism can be detected. But these changes are only the first steps to the desired turn, and the reasons for these steps are not the "new attitude" belonging to efficient management but some adjustment to present economic difficulties. Despite this--and again I can only repeat--for the time being the enterprises cannot conduct a much more rational manpower policy than at present, and are not even capable of it.

I will only say this: In the capital city district the manpower problems have not eased. And they have eased only a bit in the most developed industrial centers. I have read, for example, that it has been impossible to open the physical therapy department at one of the new health institutions in Budapest because of a lack of manpower. At the same time, I read that some of the graduates of higher institutions of learning are having a considerably harder time nowadays to find work than before. I am thinking, for example, of mathematicians, physicists, and lawyers, but I might also mention some of the technical professions as well. On the other hand, there is no problem at all, for the time being, with jobs for manual workers, on the contrary in fact...That is the equilibrium situation--in respect to manpower--cannot be judged "globally" as favorable since the stresses of employment characteristic of certain structural and geographical areas have eased only to a small extent, namely, we are facing new problems, and for their solution we have not developed useful and reliable means and methods.

Let me comment a bit more on the optimistic views regarding employment efficiency. If we are speaking of a somewhat more efficient employment and work performance, then I too support these views to a certain extent. After all, the equilibrium of the payments balance has improved substantially in the recent past. But even in knowledge of this fact I cannot leave out of consideration the stagnation in the productivity level and the wage costs that are increasing out of proportion to work efficiency. Sooner or later, the two together pose a danger to our competitiveness; and therefore we can question the present results relating to employment efficiency. Apparently we should not forget all our old slogans, for example: "Productivity is the most important!"

[Question] Let me quote from one of your earlier studies which appeared about 3 years ago and at the time created quite a stir: "It is possible and likely that the tight situation brought on by the manpower shortage has contributed to the increase in work productivity. But this hardly helps to improve quality and raise the level of modernity; in fact, it is bringing the industrial enterprises into a more and more difficult situation. Therefore, from the viewpoint of the future of the processing industry it is not the maintenance of the manpower shortage but the development of employment equilibrium which is the proper goal and which it is advisable to help by increasing the manpower supply, in addition to a more effective regulation of the manpower situation."

[Answer] I must believe I wrote that 3 years ago and not on basis of the situation existing at the time but rather on the basis of some kind of earlier economic development ideas. Your having quoted it, however, gives a suitable occasion for my noting that there is no forecast or goal which can be dealt with by an eternally valid truth. We should become more and more used to the fact that we must move from theories and concepts which are valid for today to other paths and methods as required by a change in circumstances.

To return to the statement you quoted, it is obvious that a growth in the manpower supply has not been a real possibility for some time now, and I should not need to relate in detail why not. But I do not believe that the earlier ideas and efforts relating to the expansion of manpower sources--under the circumstances existing at the time--were in error. As a matter of fact, we must be particularly careful to see that we do not make a virtue--or a theory--out of a temporary need. If we believe in the future possibility of a dynamic development for our economy--as I believe in it--the manpower cover, or if you will, the expansion of resources will again be back on the agenda. We must keep our attention on this because the related ideas--given the nature of the workers--must be dealt with in perspective. Their realization depends on population policy measures, the school system and schooling practice, prevailing social policy, and many other factors. In this connection, I still accept the above-quoted view which I have been repeating for about the past decade and a half.

There is no international experience which would substantiate the formula of "a developing economy only with declining or stagnant manpower." On the contrary, it is a trend which can be internationally generalized that where the internal manpower sources are insufficient the movement of the international manpower market becomes more and more lively. And if we permanently exclude the possibilities of participating in international manpower circulation (I hasten to note that I am establishing only the present fact and I have no dispute with the present practice related thereto), we must take account of all its consequences. For example, the fact that fewer and fewer people will accept simple and heavy physical work. This is so even if in the interest thereof--and from the development aspect in an irrational way--the actual earning ratios are distorted and come in conflict with our declared goals. Sooner or later we must consider from a money payment point of view what areas of work we shall value upward and what areas downward, and what will be the consequences of this practice on an innovation, for example, defined by material incentive, or in final analysis on social relations.

And because the world manpower market is characterized by other relations, we must after thinking all this through perceive that for tradesman working at low pay in the most important development job areas, a foreign offer of a job represents in given bases a lure that is difficult to reject. This is true not only for political but also for material reasons. And let us not delude ourselves, it is precisely in these work areas that there is no shortage of such offers. This cannot be included among our most important problems, but it cannot be overlooked.

[Question] Let us stay with the directions of internal movement in manpower. According to the most recent analyses, 120,000 persons in the past 5 years have left their industrial jobs and another 20,000 the construction industry. Agricultural manpower declined at a considerably slower rate than expected (and recently it has increased), to mention only the most important characteristics. The employment policy concept prepared for the Sixth Five-Year Plan is counting on these same processes to continue: declining industrial and construction industrial manpower and a minimal decline in agriculture (something of an increase perhaps, depending on the development conditions of auxiliary activity); and as compared to the past 5 years the possibility of a more modest and differentiated manpower increase in the infrastructural branches. I shall add--because it is perhaps characteristic--that some of those leaving the socialist sector are finding work in the private sector, where the number of workers has increased by 6 percent in the past two half-year periods. In prospective, how can we evaluate these directions of movement?

[Answer] That depends on how long of a perspective, how many years we are speaking of.

[Question] I was thinking, as we have already discussed, that the present relatively modest, rate of development is hopefully only a temporary phenomenon.

[Answer] Proceeding from here too, it is still difficult to engage in forecasts. One thing is sure, in evaluating a significant decline—one that varies rather considerably from the plan—we cannot disregard the economic situation. Examining it from this point of view, it is logical and necessary that we are speaking of a process which should be judged positively here and now. It is obvious that our industry today does not need 120,000 more workers. And of course, it is also proper that these 120,000 persons have gone to places where society has need for their work. But still I am disturbed by those newspaper articles and various evaluations which find these processes to be permanent trends, and as such comment on them with unconditional and unanimous approval. I will say no more than this, and let me put it unmistakably: there is no international experience, no economic theory, and nothing at all outside the present temporary situation on basis of which we could unconditionally and from the viewpoint of our development evaluate optimistically the stagnation in the number of agricultural earners, or even the slight increase experienced in recent months. This is an unusual phenomenon and I must suspect not only "in perspective."

The following also provides food for thought: How much work expenditure did it require to produce the total volume of products sold on the domestic and foreign markets? According to the estimates of the KSH, the volume of production produced on household and small farms—calculated in unit manpower—represents a full year's work of about 600,000 to 800,000 largely nonagricultural workers. Let us add to this the one million workers in the agricultural branch in the statistical sense. And if I subtract the certainly large army of employees in the auxiliary branches, it is still doubtful how much longer and to what extent the actual profitability in the export of otherwise qualitatively competitive agricultural products can be maintained.

I reject possible charges of "hostility to agriculture" because there is no reason for me to debate the results of the branch and even less to debate the need of development. But the manpower stagnation and the phenomena indicating extensive development can hardly be suited to a long-range picture of economic development.

[Question] Can this process be reversed?

[Answer] Of course it can be reversed. This is partly a question of revenue regulation and partly of modernization. But let me continue with the directions of movement in the manpower supply, because here we find a striking phenomenon. When I read that the number of pensioners of working age, the number of those on disability pay, and in recent years even the number of "dependent" men of working age, I must inevitably think of the second economy. I do not dispute its role and its right to existence, but here too there is living within us some kind of dual contradiction. While we acknowledge it and emphasize its importance, we also give voice to undeniable feelings of antipathy. Not accidentally—behind the second economy a series of negative phenomena can be discovered. I do not want to detail these since I want to stay with the above-mentioned facts, for example that the

number of pensioners of working age is increasing. I hardly believe that they are actually in some way disabled. I hardly believe they all actually participate in the family work distribution willingly or not, or even with enthusiasm take on the housework of the working women. It is much more likely that most of them are looking for possibilities of material realization in the nonlegalized sphere of the second economy. The question stemming from this constantly broadening phenomenon is how would it be possible to legalize these activities in a conflict-free way from the viewpoint of consumer interests and common social bases.

In summary, I judge the present situation and manifestation of manpower management as being in harmony partly with our present economic situation, and favorable from the viewpoint of momentary requirements. But in this process the role of the effects of spontaneous economic conditions is much greater than that of well-considered and forward-pointing undertakings. I know that it is difficult to change the methods of personnel and labor policy which have become petrified over the decades. And still we have the greatest need for this change if we want to use the new circumstances for accelerating the growth of technical development, efficiency, and productivity.

20 Oct 80, p 5

[Question] As we continue last week's interview, let us change the subject. It is well known that the main causes of the manpower problems--in addition to the uneconomic use of manpower and the low and declining number of those age groups that are entering on work--is the operation and structure of the teaching system. Of course, the teaching system cannot greatly modify the volume of the manpower source, but it could considerably lessen the tense contradictions between the composition of manpower demand according to occupations and the training of those entering on work for the first time.

For a long time there were intense discussions over the role of the schools. It appears that now this has subsided and the mood for debate has died down. What does this indicate?

[Answer] In the work of the Mexican World Congress of Economists held in August of this year, surprisingly great emphasis was put on the problems of harmony or conflict among the requirements of teaching, trade-training, and socio-economic demands, continued Janos Timar, university professor and chairman of the Labor Studies Department of the Karoly Marx Economics University. With this I only want to indicate that a world-wide debate is being conducted on this subject, that we are faced with a multitude of unsolved problems, and that viewpoints and opinions are contradictory in many respects.

The debates in Hungary have fallen silent, but this does not mean in my view a slackening of the spirit for debate and even less a possible indifference. I think it rather indicates that many of the problems have been clarified, and the various points of view have converged to a great extent. I shall note that the period of the "great debates" was also characterized by the polarization of certain views because of misunderstanding or misinterpretations. In comparison to many countries of the world, we are moving ahead in that a professional understanding which defines progressive action is being developed in the most critical questions.

[Question] For example?

[Answer] For example, it appears that we have succeeded in agreeing on the basic principles for structural reform of the school system. Or it is no longer a matter of debate whether economic requirements should be taken appropriately into account in school trade training.

[Question] Let us spend a little time on the former debate--which you say is no longer a matter of debate--that is whether schools must undertake to meet economic demands. In certain views one can read a question whether school training can be subordinated "one on one" to the prevailing and relatively rapidly changing requirements of manpower demand?

[Answer] To a question put in this way, one can only answer with a definite no. Incidentally, there never was a goal or program to create such a relationship of subordination.

[Question] It seems the history of our trade training indicates something else. The twists and turns, the detours and from time to time the inconsistencies of our trade training can be ascribed directly to the rapid changes in manpower demands adjusting to economic development. But I need not point only to trade training; there are many signs which indicate that the plans for manpower needs or trained workers have influenced to a great extent the planning and organization of public education. The harmony between the two is of course an important matter. But it seems that behind the process is the assumption that only the manpower requirements of the economy indicate--as a kind of "complex index"--those social demands according to which public education must operate and be formed.

[Answer] If I remember correctly, the basic question was put this way: Can school training be subordinated "one on one" to the requirements stemming from manpower needs? Putting the question in this way, my reply again is no, and in this manner it can never even appear as a goal. It is another question in what way and principally to what extent do the manpower needs of the economy influence the development and activity of public education.

It follows from the nature of the matter that current or even medium range economic goals and manpower demands cannot guide public education. But the long-term development programs which embrace all of society and the long-term manpower forecasts stemming therefrom or expressing these have a really essential role--they must have--in the development of education. Without harmony between the two there is no education planning and "organization," and of course there is no planned manpower management. I am convinced that these long-term plans--although certain details may have to be frequently modified--are already forecasting the main processes to the end of the century. The question is, however, what path education itself will choose. Adjustment to momentary demands may somewhat reduce the present tensions, but will cause all the more serious contradictions tomorrow. But if we only act according to the requirements of tomorrow, we should not look for the possible solutions primarily in the present tensions. It is not certain at all, for example, that in a decade or decade and a half we will not have to deal with unforeseen conflicts. And this is one of those dilemmas whose recognition will feed the world-wide debates going on around education.

Let me again refer to the congress that was held in Mexico. It becomes evident, for example, from a case study which analyzes similar problems in the FRG that they are constantly neglecting the planned, long-range development of education and trade training. They do not devote adequate attention to the possible coordination of population, education and employment policy. Therefore on one hand they have to resort to repetitive, ad hoc and post facto intervention; and on the other hand--as is specially stressed by this study--trade training, if you will, develops "one on one" as required by the momentary demands of the manpower market.

[Question] The problems of others can hardly be a consolation to us, but even in connection with the FRG--I must return to the reliability of planning and long-term forecasts. Because in the end what help is it to education if--despite the supposedly reliable projections of the main processes--"certain details must be frequently modified." The consequences of these modifications inevitably react on education as well.

[Answer] If we can agree that the other alternative, that is, the adjustment of education to the momentary changes in socio-economic conditions--and thus to the changes in the manpower situation as well--is obviously impossible, we might avoid further dissecting of this question. But still I would like to bring up here a sentence or two because I believe that behind the question there are some old, fixed, mistaken and illusory notions about the role and essence of planning work. Perhaps not by accident, I admit.

Let me give a simple example. If someone wants to travel, let us say, from Budapest to Pecs by car, but is not yet familiar with the road leading there, what is the proper way of going about it? To start out in the general direction until someone directs him to Baranya? Hardly. Or should he prepare a precise and detailed plan to which he rigidly clings so that even if he encounters a new road, he will still continue according to the plan on the old road? Hardly. That is, the route plan can be used if among the known conditions it indicates the most favorable direction, and if--on the basis of constant adjustment to real circumstances--this plan is modified as necessary as one proceeds.

The essential thing is not the once formulated plan, but the constantly renewed planning which is embodied in a system of partially overlapping, controlling and rectifying plans. We must also know that when we commit ourselves to more and more detailed planning we are increasing the probability of error. The manpower needs for certain--more or less homogenous--occupations can be planned with relative certainty: for example, within 15 years the number of skilled workers and engineers that will be needed including mechanical engineers or lathe operators. In this case an error, say of 10 to 15 percent is acceptable because such an error can be countered by the flexibility of supply and demand. But we must consider well the "precise" forecasts of the number of physicists, for example, or film operators that will be needed.

[Question] Is the example taken at random?

[Answer] Similar things may occur elsewhere. And the mistake in such cases is mostly the necessary consequence not of a planning error but of our illusions linked to planning. This is not consolation, of course, for the disappointed physicist or film operator. And here I would like to turn to the problem of individual ambitions

as against the needs of society. There is an obvious contradiction between the two, and this can hardly be avoided no matter what solution we select. Under present day conditions and social dimensions these conflicts do not arise at all from a rigidity in manpower forecasts as certain people assume. School enrollment limits--although few know this--are never mechanical copies of data for forecasting manpower needs. If according to forecast signs in a given period of time--I will give here only one figure--we will need, for example, 1,000 agronomists, this never means that we must prepare to train 1,000 agronomists. Rather somewhat more, and in other lines somewhat less than is "necessary." Because the plans always include the assumed effects on the balance of movements stemming from occupational mobility. That is, flexible planning counts from the beginning on the fact that individual decisions are strongly influenced--beyond personal endowments and capabilities--by the earning relations of occupations, working conditions and circumstances, social prestige, family traditions, and the influence of parents and friends to mention only some of the more important motivational factors.

Perhaps the effect of the factors should be "clearly" ignored from an economic point of view, but socially we must regard it as a rational factor as long as the conditions and circumstances evoking mobility do not change. This also indicates that--at least in Hungary--planning does not put education into a bind; on the contrary, with long-range forecasting it will promote the working out of a well-considered and conceptual development policy.

[Question] And still it cannot be denied that the educational and trade training institutions live under the spell of "training numbers."

[Answer] There is much truth in that, but we should also examine the causes. The application limits are not legally "obligatory plan indexes." These are approximate figures which of course the school--and this is already another question--and generally the administration for instruction deal with as an obligatory directive which must at the most "be overfulfilled." And not only in the sense that "in the process" everyone raises the limits; rather if the applicants are too few in some places they will accept even those who they know are unsuitable for the given studies. And once accepted they are made to finish school, the university. It is not accidental that Hungary, for example, in respect to the relative number of students at higher level institutions lags behind internationally. We are often reproached with this by many. But on the other hand in respect to the relative number of graduated specialists, we are far ahead of the majority of countries that are more developed than we are, but this is hardly mentioned.

[Question] And can it be attributed to this that there is a constantly more prominent oversupply of trained people, for example, which in the end leads to losses stemming from incongruence?

[Answer] This too is a cause of the "incongruence," or of the fact that the formal training does not meet the formal requirements of the work place. And let us stay briefly on this subject that "it does not meet." It is not the most important thing that the formal requirements of training and the work place coincide and that there should be a congruence that can be statistically measured. This cannot be neglected, but it is much more essential that there be harmony between actual knowledge and the real work place requirements. And behind this is a latent question: to what extent does the formal training cover actual knowledge. For example, is the

economist we send out with a university diploma actually an expert with economic knowledge? Or is he perhaps someone who only slipped through the examinations and at the most is suitable to fulfill some kind of economic type administrative job.

We could say, of course, that life will take care of the desired selection. This is true, but how? How long will it take and at what cost? With reference, for example, to the medical faculty, I would like to avoid illusions that touch agonizingly on everyone. But I must mention that in economic life effectiveness is not realized with a consistency and strictness which would rapidly and inexorably carry out the desired selection. But otherwise we favor the formalities--because in some way these can be measured and registered--and if someone already has the "paper," the diploma, the rest will come along. (How many personnel officers or other managers inquire about the diploma record or about the thesis prepared for graduation by the job applicant?) Finally, I may risk saying that in Hungary too--although we are in this respect in a much more favorable situation than many countries--mass training has been accompanied by a certain drop in the quality standard.

[Question] Has this led to problems of excessive training?

[Answer] I would not generalize the problem of excessive training. Let us clarify the concept. By excessive training I understand that in some area of specialization we are constantly and substantially training more skilled people than the society or economy is able to employ. In my view this is not characteristic on a mass scale except for one large employment group, the skilled workers. But even the conflicts stemming from this are muted imperceptibly by everyday practice. For on one hand training actually and significantly exceeds the skilled manpower needs, and on the other hand the economic organizations are wrestling with a skilled manpower shortage that resists coming to an end. This is true because the work places cannot operate without unskilled and skilled workers. The more weakly trained skilled workers can easily find jobs in these areas, or those who want to earn more money may find jobs in the better-paid, low-prestige but socially necessary places of work.

[Question] So finally we return to the problem of the school system. And the school system--given its present structure--prepares everyone for continuing learning.

[Answer] At least for continuing learning the skilled-worker training or in high school because what else should a 14-year-old child do who has just finished general school. He must continue to study. Of course, the solution is not the same as arose 20 years ago in the school reform efforts--ignoring conditions and circumstances--to the effect that high school education must be made "general" up to the age of 18 years whereas "concrete" and completed training should be entrusted to the enterprises.

The new, realistic concept now being developed--to the extent I know it--plans the realization of a more supple and flexible system of various grades--largely by using the existing framework--in which the young people may leave as "graduates" at various steps so that thereafter--in accordance with their individual capabilities, efforts and circumstances--they can shape their career "upward." One of the contradictions of the present, rigid school system is that it "fails" a considerable

ratio of the youth or forces them to a "downward" mobility at the beginning of their career. And in social dimensions that is not a good thing; such a forced track is the source of many social and economic conflicts.

[Question] But it is not evident from all this that a modernized school system would keep its present trade training functions, or whether these would be taken over by the enterprises.

[Answer] It would be difficult to fit into the subject of our conversations a clarification of the structural reform of the school system—and this cannot even be my task. But the question is too pointed, and therefore easy to misunderstand. The modern school system always has had a trade training function and it is one of the characteristic and general trends of schooling development that the role of the school is growing more and more important in trade training.

There can also be no doubt that every school type must have a clearly defined goal, and thus it must assure complete training. But no school training can be "complete" in the sense that the young person starting his career will not need to continue his studies even if there is no change in vocation or career. This is one of the most characteristic requirements of our age because of the rapid development of science and the constant change in the employment structure. Those who want to acquire a higher degree of knowledge or want to change their vocation must count all the more the requirements of continuing training.

It follows from all this that "permanent" education follows youthful training, a system of knowledge modernization, continuing training or studies and retraining all the way to the end of the career. The enterprises have a great task here, but they are not the only ones. It is likely that an increasingly large task will fall on the councils, for example in place of manpower distribution. And of course the schools and training institutions will continue to have an important role, with the introduction of more modern forms of training combined with work and more successful methods.

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'TRYBUNA LUDU' REPORTS ON PZPR WARSAW COMMITTEE PLENUM

Warsaw TRYBUNA LUDU in Polish 13 Aug 80 pp 1, 5

[Text] The PZPR Warsaw Committee Plenum held on 12 August was devoted to an assessment of production results and current social and economic problems in the Warsaw City voivodeship.

The proceedings were conducted by Alojzy Karkoszka, PZPR Central Committee Politburo member and first secretary of the Warsaw Committee. The plenum passed a resolution requiring that all party organizations immediately review the present socioeconomic situation in their working communities and take action necessary to improve management efficiency. The PZPR Warsaw Committee's executive board was directed to organize the work so that it reflects the most vital problems troubling the working class, the continuous concern regarding fair distribution of benefits to workers, and setting of payments corresponding to input and level of work performed.

During the deliberations the attendees, representing all occupational and social communities in the region, emphasized that an honest effort on the part of all working people will guarantee that the tensions and difficulties in public life will be surmounted.

It was determined that insofar the region was concerned, positive production results were attained: industry in the Warsaw City voivodeship fulfilled this year's production plan, already amounting to 57 percent. Production rose, it should be emphasized, despite lower employment than in the past year and lower than that envisaged in the plan.

But not all enterprises completely fulfilled their product range tasks, as revealed in shortages of certain products on the market. Export goals were not entirely met.

It was not an easy six months. During the first months of the year there were interruptions in scheduled material-co-production deliveries. There were power and raw materials problems. Under these conditions work could not be properly organized. Obviously this affected social conditions and sometimes it affected wages.

In recent weeks talks and discussions have taken place in many plants. They concern the most general problems--market supplies, increased maintenance costs, as well as a series of matters requiring resolution inside the sectors or plants. Ways are being sought to overcome the tensions and difficulties. Concrete demands and proposals are being made.

But not everywhere do these discussions take place in a calm atmosphere. In some plants there are work stoppages. This is, of course, very bad and has an immediate negative effect because work stoppages mean less production of scarce products, disruption of municipal enterprise operation--all of which makes life more difficult for large-city dwellers.

In all party organizations and at all levels, in all capital-city work places, the socioeconomic situation is now being thoroughly and incisively analyzed. Attention is concentrated on creating conditions that will ensure that production and economic goals will be met, on improving working conditions and wage systems, and on social matters.

Proposals made by personnel staffs during discussions and talks were brought up at yesterday's plenum. They refer mainly to the broad sphere of matters relating to working and living conditions. Most of these proposals can and should be settled in the plants, with the cooperation of community organizations, especially with the plant councils.

It was emphasized that one of the basic prerequisites for improving the present economic situation and thus the living conditions, is increased labor efficiency at all levels. Attention was called to the necessity for creating, in all plants, a general climate of definite and personal responsibility for realization of the proposals and demands made and accepted for execution; all decisions affecting the creation of an atmosphere in the plant should be undertaken after broad consultation with the working staff.

The plant directorships, party and trade-union organizations should give particular attention to such matters disturbing the work force as fair distribution of wages, social benefits and improvement in healthy and safety conditions.

A great deal of time was devoted to the need to improve the planning system, coordinate production, to employment policies, and to improve the system of community consultation in fundamental socioeconomic matters.

It is indispensable, it was stated at the plenum, that party ties with the working class be constantly strengthened in order to realize the goals set forth in the Eighth Party resolutions. At the same time, attempts to exploit the discussions and tensions for purposes that are incompatible with the interests of the working people must be opposed.

The plenum passed a number of motions of an immediate and prospective character. Some of them require examination and help from central authorities. The plenum mandated the executive board to take action on the most vital problems troubling the work force. At the same time, it committed the party activists to take the indispensable steps toward ensuring uninterrupted, systematic work in all fields and fulfilling the socioeconomic tasks envisaged in the plan.

9295

CSO: 2600

BENEFITS OF TRADE WITH POLONIA DISCUSSED

Warsaw TRYBUNA LUDU in Polish 13 Aug 80 p 6

[Article by Zbigniew Klejn: "Economic Cooperation with Polonia, With Mutual Benefits"]

[Text] This was not wasted time, said one of the participants of this year's Polonia Economic Forum (the sixth), which took place, as usual, during the International Trade Fair in Poznan. The opinion referred to the meetings, but it can also describe the past few years during which the foundations were laid for Poland's broad economic cooperation with Polonia.

When the government's official representative, the head of the Ministry of Domestic Trade and Services, Adam Kowalik, said at the opening of the meeting that "the PPR government is acting and will continue to act to make this cooperation more fruitful, to have it assume definite forms of various initiatives," those present knew that they could believe these words. It was already known that of the 11 law regulations governing Polonia's economic operations in Poland, 9 had been introduced or amended during the past year. Thus the government demonstrated its willingness to entertain proposals from Polonia's economic community, brought up at previous meetings. So it was not surprising that this year from among the 153 participants from 19 countries, 96 representatives of Polonia's businesses took part in the discussions, perceiving a common interest in the development of this cooperation.

Today's Polonia has an economic and technical potential that in many of its countries is a significant factor of economic life. It owns scores of thousands of enterprises, including over 150 firms in the United States with a mean annual turnover of over ten million dollars. Because of this potential and its sentimental attachments to Poland, it can be an important factor in developing our country's economic cooperation with the world.

The sentiment has always been there. But the growth in Polonia's interest now has a concrete basis. It is Poland's growing role on the international arena and above all, our country's rapid economic development. Poland, notwithstanding the difficulties it is now going through, has become an important and stable partner of the developed countries.

Both sides are willing to work together. The opportunities are now great and they will be even greater in the future. There is also visible progress, although there are many difficulties and restraints, both objective and subjective, as with everything new that is not based on experience and is occurring at the juncture of two different socioeconomic systems.

We see this, for example, in the simplest form of cooperation--trade exchange. Who, if not Polonia, it would seem, should be most favorably disposed to Polish goods? The figures will confirm this thesis: During the past five-year plan, turnovers with Polonia amounted to almost a billion dollars and its share in Poland's foreign trade with developed countries increased from three percent to six percent. But the growth of turnovers with Polonia during 1973-1979, which tripled in value, is to a large degree the result of price fluctuations on the world market, and the shortage of traditional export goods has an impact on the expansion of this trade.

Therefore, it must be replaced by other goods, but the Polonia importer frequently is unaware of what is actually available in our country and does not get an answer to his question, or the answer is so long in coming that the order is placed elsewhere. He is annoyed by the slipshod regard for quality and delivery schedules. We have a great deal to do in this area. It is true that the attitude of the leadership factions has been favorable. For years, the "Polonia" Society has pursued this with success. A network of institutions and persons with full authority to act in trade with Polonia has been established. A special Polonia-Poland chamber of foreign trade, "Inter-Polcom," has been appointed. But on the middle levels of administration and commerce the antiquated viewpoints and habits must constantly be fought.

The financial and purchasing capacity of Polonia firms is often underestimated. Naturally, it is easier to deal with large firms, whose attractiveness enhances not only the size of the turnovers but also the method of doing business. These firms, however, hesitate to go outside the range of goods for which Poland is, according to them, the traditional supplier. Nor do the Polonia firms constitute a direct attraction for the negotiator from Poland, and furthermore their owners themselves often in coming to Poland do not allow themselves to be dismissed by generalities. If they want to, they know how to reach the proper authorities with their grievances. But expansion of the circle of Polonia buyers requires familiarity with numerous but dispersed average and small firms and a breaking with the tradition of selling "from behind the desk."

It should be said approvingly that at last year's Economic Forum, the representative of the Ministry of Foreign Trade and Maritime Economy spoke of the need to come out with new types of goods and to attract to these goods the interest of Polonia living far from the metropolitan areas, to go where Polish products are virtually unknown. And since we are speaking of large amounts, we cite as an example the Philadelphia businessman, Edward Piszek, who each year buys over 100,000 tons of fish for processing in his own plants.

Polonia's investments on Polish soil are a new form of cooperation. Over 60 Polonia enterprises are involved; their annual turnovers amount to a quarter billion zlotys. The government has calculated that these firms, which are equipped with modern equipment and technology, will make up the market shortages and begin to export. There are already such firms as the Top Mart jeans factory in Czesochowa and Krakow and J. Saszynski's volatile oils plant in Poznan.

From among the Polonia enterprises in Poland, barely five have signed export contracts totaling 1.5 million foreign exchange zlotys. This is attributed to regulations which have not been finally defined and also to certain groundless fears that exports of domestic firms may go into the turnovers of the government. The fears are groundless since on balance this should be profitable to Poland and, because it is to the interest of the investor to be concerned about the quality of his goods and on-schedule deliveries, he should, as a rule, have steady and reliable customers.

The most promising forms of cooperation with Polonia are the cooperative agreements and mixed partnerships. Also included are co-production and technical cooperation as well as joint ventures with the socialized industry in Poland, the partner's country, and on third markets. A good example of the joint participation of Polonia partners in improving and multiplying Polish export production are the Jean Zarzycki firms from France (a seven-year agreement with "Predom" on deliveries of modern, by their own engineering, household equipment) and Longin Anecki in Great Britain (worldwide promotion of modern hotel and hospital equipment produced in the Food Processing Machinery Plants in Bydgoszcz).

Over 20 contractors have expressed an interest in this form of cooperation. It has a tremendous future for it is within the framework of the inter-governmental agreements that Poland has signed on cooperation by small and average-size enterprises, since in these cases they are sponsored by their governments. For example, France and Italy grant credits and give various types of support to this type of cooperation.

Economic cooperation developed without burdening the country's materials and payments balance is the most dynamic form of Polonia's ties with Poland. Poland today is now able to offer mutually beneficial cooperation to increasingly larger groups of vigorous, educated and wealthy representatives of Polonia. Business does not supplant sentiment in this instance, but makes it more concrete, giving it more modern substances and form.

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CSO: 2600

COMMENTARY ON BLACK MARKET, TOURISM NOTED

Warsaw POLITYKA in Polish No 42, 18 Oct 80 p 16

[Article by Daniel Passent: The Fruit of Romantic Ecstasy]

[Text] The last chords of Petr Chaikovskiy's Piano Concerto No 1 (as indicated in the program "the fruit of a strong romantic ecstasy") had just died away and the fashionable audience was descending the marble stairs of our philharmonic hall for the intermission, when I heard that dollars are being exchanged on the black market at the rate of 110-140 zlotys to the dollar.

Representatives of the field of art who came from all over the world (this year the Chinese are creating a sensation although dollars do not concern them) discussed the notations on the Warsaw five-line currency scale in a lively manner: a whole note being equal to 120, a half note to 60, and a quarter note barely 30 zlotys.

The sordidness of a black market, which it is not possible to stop, even reached to the artists absorbed with the concert and their participation in the splendid performance. Everyone, from the hotel waiter who brings breakfast to your room in the morning, to the cab driver who brings you home in the evening--each one is able to make an offer to "change money."

This feature of our landscape likens us to distant countries of the Third World where barefooted emaciated little boys, as well as coolies, sluggish because of undernourishment and the heat, propose illegal transactions to the white people. Despite all of the problems we have had for years, and which now the whole world knows about, this procedure stands in contrast with the level of our country's development--unfortunately it conforms to the decline in morality. Prevailing regulations, which are as appropriate to life as a fiddlestick is to a drum have, in many cases, brought this about.

A foreign tourist who comes to Poland today gets 29.71 zlotys for his dollar (2 zlotys and 71 grosze). The ending, 71 grosze, indicates that it either concerns a very subtle quotation of the current rate exchange--something unfortunately, which is not true, or some kind of bureaucratic decision, "the fruit of a strong romantic ecstasy."

At a time of such a fall in the purchasing power of the zloty, and the shortage of so many goods which are available only for hard currency, how can we expect anyone to be selling dollars voluntarily for 30 zlotys! I will wager a dollar that

Minister Krzak would never sell a private or a state dollar for such a beggarly pittance. What is more, if some Polish institution were to import foreign goods which it then sold in the market place at the rate of 1 dollar for 30 zlotys, its director would be thrown out with a crash for his extravagance.

Thousands of Polish citizens rob their own government in front of our eyes and snatch dollars which should wind up in the Polish National Bank (NBP) on Danilowiczowska Street. We do not have the kind of criminality they have in the UK or the United States. No one attacks our banks because no one expects to find any stock of Swiss francs there. On the other hand, there is a never ending assault on foreigners who are stripped of their dollars in exchange for a shower of zlotys. Everything is possible in Poland, even thieves who pay more than state banks.

Thus this is a procedure which is harmful from a moral as well as an economic standpoint. Great damage has taken place in both areas. The obligatory rate of exchange is thus unjustified from every point of view, and millions of dollars are lost to our country only because it has set its sights too high and does not wish to lower the presumptuous 1:30 ratio. Polish earnings from tourism amount to 380 million foreign exchange zlotys annually (about 120 million dollars). In short, mere pennies--a good health resort on the Mediterranean earns more than that. These earnings are not proportional to the hotel, motel and other investments made in past years. However, these are earnings which are cut by 200 and perhaps even 300 million dollars because of the black market.

Prior to writing this column, I talked with a responsible official who continues in his state of strong romantic ecstasy. He defends the 29.71 rate of exchange because he considers that it is an advantageous one for a foreigner. "He will get a good dinner here for 300 zlotys while he will not be able to eat in New York for \$10," he says. That is a joke, because the tourist will not eat a good dinner for that money either here or there. The price of a small coffee or a beer in a hotel already is almost 50 zlotys, while a bottle of inferior wine is really sky high.

Even if this rate of exchange were advantageous for tourists, as my interlocutor from the ministry assured me it was, the nature of tourists is such that when proffered an exchange rate at every step which is two, three and even four times better, they cannot resist. This includes even the most sophisticated who patronize the Philharmonic Society, not to mention the swarthy seasonal workers who fly here over the weekend from West Berlin. It is necessary to reconcile oneself to the fact that the moral level of foreigners is pitiful and that our devoted traders do not have to coerce them, they give their dollars, readily and with pleasure--in romantic ecstasy. Even if officials give birth in pain to an exchange rate 10 zlotys higher, that will not change anything--a radical change is necessary. Such a change has not been introduced to date because it was considered that foreigners do not come here to shop, what they need primarily is zlotys for a hotel and meals, and if they had a better official exchange rate available they would simply exchange even less money. This kind of thinking seems to be false. They will not be exchanging less money for hotels and breakfasts because the same people who set the exchange rate also make the decisions about the cost of the hotel and the soft-boiled eggs (in the hotels-with-breakfast system). There remains, sad to say, huckster-type calculation--what is more profitable, earn less on meals, or persuade

guests to exchange money in state foreign exchange offices, and not pass money right and left into the outstretched hands of traders, and even normal citizens for whom this has become common practice. I saw a 5-year-old child, who, having returned from nursery school, told his parents that "a dollar sells for fifty." Appropriately, the parents told him to buy as soon as the dollar is sold in the nursery school at that price. Today, even a child won't believe that the exchange rate is 29.71 zlotys. This matter, as old as the world, was the subject of deliberations (now, we speak with great grandiloquence of "debates") in 1972 by the government's Presidium at that time. A program was even set up, which resulted in nothing, because the essence of the program was such an increase in the supply of attractive goods for zlotys (cars, flats, calculators, ink and end-pieces for ball-point pens, cutters for pencil sharpeners, plaiting for watch straps, etc.) that the excessive demand for exchangeable currencies would drop. The program, which was based on demand, is now dead, while the black market exchange rate flies about in romantic ecstasy causing financial, moral and even political losses because to foreigners, our country looks like a crowded illegal foreign exchange office.

I see no other solution in this situation than a radical devaluation of the zloty in tourist exchange, which would simply be an admission of a condition which in part is already in existence. If the difference between the official and black market exchange rate were small, then, in the face of a theoretical risk, the black market would be less attractive and at least some tourists would not want to enter into suspicious transactions for the sake of a few pennies.

The official, of course, fears that more dollars exchanged means more zlotys, of which there are too many in Poland anyway, in the hands of foreigners. This is a vain fear because foreigners have those zlotys anyway, not so much from Polish officials, as from people who are more efficient. Thus there is no reason to fear that foreigners will rush to strip our market. Let us put an end to the fiction in which state enterprises are encouraged to export at any cost and approval is even given for export which brings a dollar for 100 zlotys, while we want a tourist to sell us the same dollar for a third of that sum.

There is much to be said for raising the tourist exchange rate, and very drastically at that, so that hotel front doors and washrooms stop playing the role of banks.

It is worthwhile here to give the lie to one other fact, namely, that in past years expenditures on foreign tourism have been increasingly limited on the grounds that there was a need for balancing revenues and expenditures for this purpose. Meanwhile tourists left 380 million exchange zlotys with us, while we gave our people a seventh of that amount (for promoting tourism). At this moment, while the whole world talks about Poland's indebtedness, no sensible person will be proposing an increase in foreign tourism, however, where money is concerned, the truth is best.

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CSO: 2600

BOOK ON ROLE OF INDUSTRIALIZATION PLANNING REVIEWED

Warsaw TRYBUNA LUDU in Polish 20 Aug 80 p 5

[Review by Janusz Ostaszewski of the book "Pulawy. Planned Control by the Industrialization Process," by Zbigniew Sulfin, published by Ksiazka i Wiedza [Book and Knowledge Publishing House], Warsaw, 1979, 214 pp. Price, 50 zlotys]

[Text] Pulawy, a small town with a long history, appeared on the country's industrial map because a chemical complex producing synthetic fertilizers was built there. A large industry sprang up against an agricultural landscape where previously there had been no large concentration of working classes or industrial history. The construction of a large complex over several years and its startup, had a significant effect on the ongoing social processes: it changed the town and its inhabitants.

During the entire time the Pulawy investment was being realized it was being carefully observed by scientists in various specialties. Some of these extensive examinations, conducted over several years, are described by Zbigniew Sulfin in a book bearing the rather complex title: "Pulawy. Planned Control by the Industrialization Process," prepared as part of studies conducted in the field of the socialism-building theory by the Institute of Basic Marxism-Leninism.

It described everything related to changes occurring in the town's society along with the town's industrialization. And so the author writes of the anticipation and hopes of the inhabitants of Pulawy in the new industrial building; how the personnel staff of the complex was formed and how it participated in the town life; on the relations between the "old" and "new" Pulawy residents; on the changes that occurred in the conditions and way of life of the entire community due to industrialization; in the people's incomes and their relationships to their jobs; and in their life styles.

The experience accumulated during the course of these observations and research enabled the author also to treat the entire problem in a larger context and to formulate conclusions on the planning role in control by industrialization.

Industrialization of the country is not a goal in itself. It is subordinated to social goals. Hence the book's thesis on planning integrality states that social, economic and spatial planning must be closely integrated into a homogeneous planning system. Such a method of control by industrialization guarantees harmony and equivalence of three simultaneously occurring processes which, in turn, dictates the most correct and desirable course of social change that industrialization brings about. If the correct balances are not maintained, if construction goals in an industry are placed above other goals, then developmental imbalances will result which will have an adverse effect on the formation of new industrial communities."

"The experience of Pulawy," writes the author, "confirms the need to improve the controlling role of planning by expanding its analytic function... It is not enough to simply establish the level of utilization of financial outlays and material tasks. An analysis of factors influencing the realization of tasks outlined, an analysis of changes occurring in social structures, the monitoring of the social effects of industrialization--all these are tremendously important."

Part one is an important complement to the work described here. It contains a reminder of theoretical problems of planning in a socialist society.

In sum, we have here a book which, because it is based on hard facts, contains a series of important guidelines which make it easier to make the correct decisions necessary to undertake investment ventures in regions that have not had an industrial history.

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CSO: 2600

PRINCIPAL FACTORS OF 1981 PLAN OUTLINED

Bucharest REVISTA ECONOMICA in Romanian No 43, 24 Oct 80 pp 3-4

[Article by Toma Melinte]

[Text] The 1981 uniform national plan for socioeconomic development is a new link in the creative activity of the Romanian people to implement the tasks outlined in the program documents of the 12th Congress of the Romanian Communist Party. It fits into the rates and dimensions of the Directives and ensures the achievement of the goals and guidelines for the country's socioeconomic development under the 1981-1985 Five-Year Plan. In all its sections the plan reflects the directions of the party leadership, of Nicolae Ceausescu for upgrading the entire economic activity, for fully using the production facilities and areas built, for improving the technical standard of material production, for continuously improving the techniques, for expanding the domestic base of raw materials and energy resources, for promoting a firm policy of rigid saving and wise management of all resources and increasing the degree of utilization of these resources, for upgrading the investment programs, for more sharply raising economic efficiency and firmly applying the provisions of the new economic and financial mechanism.

Set as an integral part of the 1981-1985 Five-Year Plan, the plan for next year envisions more balanced development rates. Touching on this matter in his speech at the plenary session of the Central Committee of the Romanian Communist Party held on 14-15 October 1980 Nicolae Ceausescu stated: We had in mind that we need to tremendously strengthen our achievements under this five-year plan. The 12th Congress specified a development rate of 8-9 per cent, one that is lower than that under the five-year plan."

The dynamics which is characteristic of Romania's socioeconomic development in 1981 (for the chief indicators, percentage increases versus 1980 levels, calculated on the basis of prices on 1 January 1981), is reflected in Table 1. The 1981 plan provisions ensure the firm continuation of the policy of industrialization, a decisive factor of the development of productive forces, of the country's socioeconomic progress. The value of net industrial output next year will be 331 billion lei. The increase in Romania's industrial potential is planned in the context of the continuous improvement in the

technical and qualitative level of all products by accelerating the process which involves arrangement for the production of new items, modernization, renewal and standardization of products, development and use in production of new materials with superior features, new high-standard machines and installations with lower energy consumption rates -- decisive factors for the further modernization and diversification of the structure of production. The branches and sectors that are factors in promoting technical progress will further grow at a more rapid pace.

Table 1. Chief Indicators of Socioeconomic Growth in 1981

Indicator	Rise Versus 1980 %
Social product	6.1
National income	7.0
Industrial output	
Value of net output	8.1
Value of marketable output	7.0
Net agricultural output -- on the average --	9.0
Volume of fixed assets in the economy	9.2
Total volume of foreign trade	10.0
Labor productivity in industry based on value of net output	7.0
Value of retail goods sales through socialist trade	6.0
Services to the population	13.2
Fund for remuneration of workers	4.6
Real pay	3.4
Real incomes of peasants derived from work in agricultural production cooperatives and private farms -- per active person --	3.3

The levels and structure of industrial output are determined in light of the needs for maximal use of the production potential of industrial enterprises and built areas, expansion of mechanized operation of facilities, better training of workers and stronger labor discipline, the need for providing technical assistance on all work shifts by adequate assignment of technical cadres. Of course, on this line specific and firm measures are required at all levels.

A facet of industrial development next year involves greater focus on tasks of superior use of raw materials, supplies, fuels and energy, by upgrading the production structures and expanding technical advances and modern procedures and consumption standards and regulations, by greater use of substitutes, maximal utilization in small-scale industry of local resources of raw materials and retrievable and reusable materials. Under the plan, emphasis is placed on the measures which should be taken: increase safety in operation of installations, machines and devices, by eliminating stoppages in production processes and reducing the periods of idling in repairs. Action must be taken to improve the quality of overhaul and capital repairs and to ensure the necessary amount of spare parts -- by maximal use of facilities in this area and taking of measures to recondition larger quantities of used

components and subassemblies. Moreover, emphasis is placed on the steps that should be taken to rigidly implement the provisions in the delivery charts worked out on the basis of the tasks contained in the uniform program for co-operation in production between ministries, centrals and enterprises and between counties.

The proper implementation of the plan provisions necessitates full completion of the tasks which involve the physical output -- in terms of the items specified under the plan -- and the value of net output, firm action for the smooth run of the production processes in all the economic units. Plan assignments must be executed only for the products which involve better use of energy and raw materials and only if these products have their marketing ensured, on the basis of domestic or foreign contracts or orders.

The plan specifies that the assignments in industry be to a greater extent backed by the input of scientific research, development and introduction of technical progress, whose efforts have been focused on development and arrangement for production of new machines and installations with high technical and economic parameters, in competition with their foreign counterparts and requiring low metal and energy consumption levels; on production of new items and substitute materials which ensure lower relative consumption rates and replacement of materials which are expensive and in short supply, specifically of imports, in the machine building, chemical, metallurgical, and power industries. In the above-mentioned area provisions envision 2,520 major projects, which will be instrumental in better utilizing raw materials, raising the technical and qualitative standard of production and scaling down consumption rates for materials.

We must emphasize that the tasks outlined under the plan for research, development and technical progress cover an area which goes far beyond industry. They involve solutions to all the basic problems of economic and social development of the country by ampler introduction of the Romanian technological concept. Hence, steps are taken to solidify the research-design-production cycle, so that the results of research may be promptly applied in production.

In agriculture the plan envisions the further rise in plant and animal output in the context of wise utilization of all the agricultural and arable area and better use of the technical-material base. Account is taken of the provisions under the programs worked out for the development of the production of grain, industrial crops, vegetables, and fruit and animal husbandry. Under the conditions of a normal agricultural year, the provisions anticipate a net output of 73.8-82.2 billion lei and of production levels for chief products which are higher than the annual average for the 1976-1980 period.

The levels of agricultural output were determined in light of the expansion of the material base of agriculture by provision of 14,300 tractors and 6,000 self-propelled corn harvesting combines, sugar beet harvesting combines, potato picking machines and other farming machines and installations. Moreover, agriculture will receive 1.7 million tons of nitrogen, phosphorus and potassium fertilizer and 51,000 tons of pesticides (active substance).

The year 1981 will see the development of 195,000 hectares for irrigation, drainage projects completed over an area of 100,000 hectares and projects to combat soil erosion over an area of 90,000 hectares. To ensure attainment of the 1981 farm output the plan places emphasis on a set of measures to wisely use all the agricultural and arable area, utilize irrigated areas in full and at the efficiency levels envisioned, apply sensible crop rotation within the area of each agroindustrial council, increase the production capacity of the farmland for completion of improvement projects, eliminate excessive moisture, and combat the phenomena of soil erosion and salinity. Moreover, provisions involve ensuring quality seeds and stock for all crops, extended mechanization of farm operations, good use of all the fleet of tractors and farming machinery, expansion of the production of feed by boosting average per hectare outputs for fodder crops and natural meadows, and so forth.

In compliance with economic needs, the expansion of transportation is contemplated in the context of continuous modernization and upgrading of the structure of this branch, of rationalization of the transport flows. The overall volume of domestic freight transportation in 1981 will be 3.2 percent greater than that for 1980. Hence, the material base of transportation for general use will increase by provision of 170 diesel and electric locomotives, 4900 4-axle freight cars, tipping trucks and trailers with a capacity of 40,200 t, ships, tugboats, pushers, and so on.

In the area of investment projects, in light of their outstanding role in the economy, the 1981 plan provides for measures to raise economic efficiency, integrated into the program for centering the activity on the on-schedule completion of the facilities under construction. Commencement of new projects will be done only after approval of the construction documentation and preparation of all the conditions for completion. In this context the total volume of investments in the economy in 1981 will be 220 billion lei. Measures have been specified for rigid implementation of the provisions in the charts for attainment of the parameters planned, for completion of the construction-assembly projects and ensuring of the delivery in terms of equipment and materials in accordance with the charts for phasing the investment projects and complying with the periods of mechanical and technological tests specified. Much emphasis is placed on providing the skilled work force required for completing this program under optimal conditions.

Great volumes of investment funds are assigned to all the economic branches (See Table 2). As reflected in the table, the greatest part of the investment funds further went to the branches of material production, out of which more than 53 percent to industry and more than 14 percent to agriculture. On this basis, it is anticipated that 750 major industrial and agrozootechnological production facilities will be completed. The 1981 plan further makes provisions for significant improvements in the territorial distribution of the productive forces, a basic factor of our party policy. The resources and facilities involved are part of the ample program for systematizing all the country's territory, with the focus on ensuring the rapid progress of all counties and localities.

Table 2. Volume of Investment Funds for Various Major Economic Branches

	<u>Billion Lei</u>
Industry	118.0
Construction	7.5
Agriculture, forestry, water management	31.3
Research and development	2.3
Transportation and telecommunications	23.9
Trade, public catering, tourism, technical-material supply	3.4
Education, culture, public health	4.1
Housing construction (including hostels for single people)	18.8
Communal administration	5.2

In all economic branches and sectors of activity the size of the production tasks was determined in light of accelerating the role of the intensive, qualitative factors of economic growth, of achieving higher efficiency indices -- a process designed to be a basic feature of Romania's socio-economic development in the next year. In this context, it must be emphasized that labor productivity calculated on the basis of the value of the per capita net output, which has a primordial importance in increasing economic efficiency, is expected to rise, versus the 1980 level, 7 percent in industry and 8 percent in the area of construction-assembly. The tasks involving increased labor productivity for all branches are based on the greater prospects created in the economy by more rapid introduction of technical progress, expansion of mechanization and automation of production processes, upgrading of procedures and redesigning of products. In the above-mentioned substantiation, planners had in mind the program for superior organization of production and work and the vocational training of workers. Reflecting essential requirements of saving raw materials and energy, production costs in 1981, versus the levels for 1980, will be decreased by 12.8 lei for each 1000 lei of output in the industry of countryside importance, by 11 lei in the area of construction-assembly, and by 10.8 lei for each 1000 tons km in transportation, chiefly as a result of diminished materials expenditures.

As far as foreign economic relations are concerned, the 1981 plan provides for an increase over the level for 1980: 10 percent in the total volume of foreign trade and 13 percent in foreign currency collections from foreign tourism. This ensures Romania's greater and more efficient participation in international trade and cooperation. In light of the complex of phenomena which strongly manifest themselves in the international scene, phenomena which negatively impact on the economy of all countries, and especially on that of developing countries, the plan provisions aim at fully utilizing the prospects for increased export, so that we may achieve a surplus trade balance that assures adequate assets for imports of raw materials, equipment and other products that cannot be turned out at home and also for the significant reduction of the foreign debt.

In this context, the 21 percent rise in the volume of export anticipated under the plan is a minimal task and the wise handling of all kinds of imports is an outstanding task for both the decision-makers and all working people in this country. The plan provisions place much emphasis on greater

cooperation within CEMA and with the other socialist countries, with the focus on the greater decrease in some imports based on the free currency relation, expansion of Romania's economic relationships with all states.

A result of the significantly qualitative development of all the economic sectors, the rapid growth of the national income and on this basis the upgrading of the material and spiritual standards of all the members of our society will be further ensured next year. It must be emphasized that the remuneration fund in 1981 will be almost 228 billion lei, which will ensure the operation on an overall scale throughout the year of the program for increasing the salaries anticipated in the second stage of this five-year plan and that the real pay will go up 3.4 percent and the real incomes of the peasantry per active person, 3.2 percent. The fact that retail goods sales through socialist trade units will grow 6 percent and the volume of services, 13.2 percent points out the concern for improving the supplies to the population and thereby for better satisfaction of the population's growing needs. The 1981 construction volume in terms of housing to be completed is 185,000 apartments. The material base of education and health care and of other social sectors will continue to expand.

The 1981 plan once again demonstrates that the policy of our party and state is firmly oriented toward the rapid, harmonious and overall progress of all branches and sectors, toward expansion of the qualitative facets of development and on this basis the upgrading of the well-being of all our people.

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CSO: 2700

PROBLEMS IN PREPARATION FOR 1981 PRODUCTION VIEWED

Bucharest REVISTA ECONOMICA in Romanian No 43, 24 Oct 80 pp 5-6, 12

[Article by Mihai Iosifescu]

[Text] The approval by the Grand National Assembly of the Law on the Uniform National Plan for the Socioeconomic Development of the Socialist Republic of Romania in 1981 resulted in the finalization of all the overall parameters that generate the tasks and objectives for each economic unit. It must be emphasized that in compliance with the tasks set, the plan for the next year was the topic of many analyses at all levels, from enterprises and the other production units up to the decision-making central bodies.

The special general assemblies of working people held during the September-October period of this year discussed the tasks allotted each collective of working people under the 1981 plan for Romania's socioeconomic development and in this manner resolved a number of major problems which underlie the proper preparation of production. On this occasion it was stressed that, in line with the tasks outlined by the party leadership, the 1981 plan figures were known in advance and this provided the setting for timely taking the steps to ensure a good start for implementing the plan. The effectiveness of the programs undertaken on this line by enterprises, centrals, ministries, and county organs also is reflected in the fact that by early October 1980 the output for domestic consumption was contracted for in proportion of more than 60 percent. However, it is certain that against this positive backdrop, we cannot ignore some delays and shortcomings that ought to be promptly eliminated so that at all levels we may complete the preparations for the 1981 production, concurrently with exemplarily fulfilling the tasks for the 4th quarter of 1980. The efforts must focus on resolving the problems of full provision of the material base of the plan, the development of the domestic resources of raw materials, the wise assignment and management of raw materials, supplies, and fuels for the various users, matters that were amply discussed in Nicolae Ceausescu's address to the recent plenary session of the Central Committee of the Romanian Communist Party.

The detailed finalization of the structure of the physical output in each unit in this context involves a primary objective, which has a decisive importance for the clarification of all the other problems. Each product is

a resource for hundreds and thousands of users throughout the country and certitude in terms of supplies directly depends on the extent to which production is completely and actually determined for each production unit. This undertaking is not simple and requires not only efforts of each enterprise but also the direct involvement of decision-makers from centrals and ministries, of balance coordinators, and of the central organs of synthesis. Outstanding are a few categories of problems which also were pointed out in a number of general assemblies of working people held recently and which discussed the plan figures:

a. Tying of physical output to the needs of domestic and foreign users. Special problems are posed for metallurgical units, which in a period of at most two weeks must resolve the problem of providing the required amount, specifically for ball-bearing steel and assembly parts steel, special types of pipes for boilers, motor vehicles, technical equipment, tubular materials for the petroleum industry, pull cable for mining conveyor belts, metal cord for the production of tires and so forth. It must be emphasized that although the amounts involved are not significant -- the total volume of these unclarified products does not exceed 150,000-200,000 t -- their economic importance is very great because of ramifications generated. Hence, the technical cadres in the production units, respectively in the ministry, must seek the technical approaches to the provision of these products.

Similar problems are posed in the chemical industry, for instance, in terms of finalizing the production of lacquers and paints in light of not only ensuring the supplies of pigments and dyes but also of the needs of consumption, and for construction materials, specifically autoclaved cell concrete for insulation, which must fully replace polystyrene in the production of large panels.

b. Expediting of design and redesign of some products and procedures that ensure the production of materials, components and products which are required by the economy (and which are no longer imported). This is a highly topical matter in all branches and specifically in the metallurgical, chemical and machine building industries, sectors that have the potential for completing this task. It must be pointed out that the output of major suppliers of raw materials and items for the overall economy and export depends on the arrangement for the production involved.

c. Concentration of efforts on priority completion of the production facilities that are expected to operate in the first part of next year, because the products involved are resources considered in the material balance of the plan. We must point out the unsatisfactory status in the delivery of some facilities especially by the Ministry of the Machine Building Industry, which at the beginning of the 4th quarter of this year had backlogs of more than 28,000 t of equipment destined for investment projects planned to be completed as early as this year, most of them in the metallurgical and chemical industries. Great efforts must be made in terms of equipment delivery and completion of construction and assembly projects and cold- and warm-testing, for the purpose of ensuring the completion of the new drawing mills

for bars and wire at Tirgoviste, Braila and Zalau, for pipes at "Republica"-Bucharest and Roman, of the units at the thermal treatment ovens and of the slab cutting installations at the Galati Metallurgical Combine, of the installations for degasification of steel at the Hunedoara and Tirgoviste Metallurgical Combines, of the thermal treatment oven at the Otelul Rosu Enterprise. In this area, each ministry must structure, under the leadership of the existing central collective, the specific activity for each objective, ensuring technical assistance on the construction site and direct monitoring of all the deliveries required in the supplier units.

d. Concurrently with resolving problems of ensuring the physical output, the balance coordinators must complete all the projects for introduction of corrections that result in light of the final levels of the plan indicators approved. It is a matter of corrections in the figures that involve the macro-economic sphere but specifically the assignment of resources for the various plan coordinator users -- ministries and centrals, depending on the modifications that appeared in the consumer units. The time which is available is very short, one cannot expect the development of the cumbersome process of communications and confirmations by waves of correspondence. Consequently, there must be direct meetings between representatives of ministries and user centrals and discussions of the amendments and corrections that must be directly made on the old documents, as the problems are clarified. Of course, the coordinating bodies which have authority in approving the balances must be involved in this project so that we may eliminate the very long periods required for elucidating some matters, specifically those regarding the integration of each user into the standardized consumption and reserves rates.

As the material balances are materialized steps will be taken to also complete the forwarding by users to balance coordinators of the specifications, fitted into the corrected rates and levels and the issuing of all the allotments that underlie the conclusion of economic contracts. There is an older, criticizable, procedure of some user units to unjustifiably delay the forwarding of the corrections to the initial product specifications, claiming that some problems involving the quantities allotted in the assignments are not fully resolved. Every year this was one of the chief causes of delays in concluding economic contracts. We mainly have in mind some machine building units under the centrals for the production of chemical equipment and some units under the central for production of transportation motor vehicles. Action must be taken to clarify in a few days, with the branch ministries and the Ministry of Supply, the problems still to be elucidated, in the area of planned physical output and specified consumption rates, so that this important precontractual stage may be completed.

In this context, it is necessary for the Ministry of the Metallurgical Industry and the other ministries to take action for the finalization of the production programs for each combine and enterprise, with steps to adequately meet the needs for raw materials. Specifically, we must avoid the repetition of the situation that occurred this year, when the lack of rolling strips and nondelivery of these strips in compliance with the specified plan levels deprived the economy of large amounts of drawn wire and bars, pull cables,

steel for reinforced concrete and other products which are widely utilized. Moreover, there are more problems that ought to be clarified in this stage of issuing allotments by the branch ministries. Specifically we have in mind the provision in the first half of 1981 of the real sources of supply for some products planned to be obtained in some new facilities or as a result of expanded facilities. This chiefly involves products such as certain types of auto accumulators for whose production the new enterprise in the Bistrita-Nasaud center will make arrangements, emulsion polyvinyl chloride (for the units under the Ministry of the Light Industry) planned to be turned out by the Borzesti II facility, polypropylene at Teleajen, aluminum sulfate at Rm. Vilcea CIPA and Bucharest CIMCC, for the production of paper and other items.

The final goal of all these measures involves most rapidly concluding all the supply-marketing economic contracts, introducing the necessary corrections as a result of the approval of the 1981 plan into the contracts already concluded. As indicated above, the proportion of the conclusion of contracts represents more than 60 percent of the industrial output destined for domestic consumption, but considering also some modifications that must be made in the contracts concluded, the amount of work to be done in a short period of time still is very large. Simultaneous action will have to be taken in the area of firm contracting of the own output and provision of the material base of this output and supply of raw materials, supplies, and fuels. The conclusion of many contracts, specifically in the light, chemical, machine building, and construction materials industries is delayed because people expect some kind of plan modifications or corrections, correlations from the ministry or other such solutions which, even if in some cases they reflect actual needs, should not hamper the contracting for products and resources whose overall related problems have been clarified. We must point out the experience of the Industrial Central for Pharmaceuticals, Lacquers and Paints which, in the context of rise in the material base from the domestic output, arranged production meetings with users, offering substitutes for a number of its products and which can properly meet internal consumption needs, concurrently limiting to the strictly necessary level the use of shortage products based on imports.

In the entire program for finalizing the contracting for 1981 we must have in mind some needs and priorities of the economy which must govern the projects that are undertaken during this period:

1. Strict integration of all consumption levels into the consumption and reserves rates and standards approved. Some enterprises claim failures to meet rates, such as for ferroalloys, coke, graphite electrodes, fuel, and electric power, in the context of nonobservance and failure to take all steps to achieve, as early as in the 4th quarter of this year, the reduction of consumption rates to the level of those planned for 1981. However, the enterprises, centrals, ministries, and research and design institutes have a technical staff with a great creative potential, which must be firmly steered from unproductive, office, activities, toward resolution of research, technological problems that will ensure integration into the consumption rates and achievement of extra savings. Inspections made in several

enterprises under the machine building, construction materials, light and other industries indicated that the material conditions which must underlie integration into the consumption rates planned for next year have not yet been prepared. This ought to be a warning signal to the management bodies of units in all branches in terms of the urgency of the projects in this line.

Furthermore, it turned out that overfilled and immobile stocks have reached a high level and are on the increase, even for some materials for which further requests have been made for massive supplies as early as in the 1st quarter of next year. The control organs in this area ought to take very firm measures to prevent excessive supplies (which deprive other users of resources) and to recirculate the availabilities.

2. Wiser management of material resources and reduction of consumption rates for fuel and energy. As indicated at the recent session of the Grand National Assembly, the increased production of next year must be achieved with absolute quantities of fuel that are smaller than those for this year. This specifically applies to oil products, for which the high and growing prices on the world market and the difficulties in terms of availability limit to the known levels our available resources. There are many enterprises that still are using great efforts and energy to obtain supplemental resources which, it must be clearly understood, do not occur in the economy. Instead steps must be taken in all areas to prepare the conditions for reducing fuel consumption to the planned level, with the focus on the following course of action:

a. Recovery of secondary energy resources, by installing and maintaining in operation recuperators and preheaters in all the thermal facilities established. This is the only way to economize primary energy resources equal to about 3.7 million tcc;

b. Increase in the thermal output of boilers and furnaces to minimum 85-90 per cent as a result of modernization. For instance, in the machine building industry alone, there are several hundred forging furnaces and furnaces for thermal treatment where the heat of chimney burnt gas has 700-800°C and a significant thermal potential is not recovered. In the steam power plant network in towns there are many cases when, due to deterioration or even initially nonassembly of insulation in pipes, a large amount of heat is lost in the environment. For instance, in the urban localities of Ilfov County, there were many situations where the thermal ducts were flooded as a result of rain and snow melting and the greatest part of heat was lost for heating the rain water;

c. In the area of transportation the program for optimizing the flows for mass materials must be rapidly completed. Next year the lists of materials which mandatorily are delivered under optimized terms cover a double number of products versus 1980 and the project for determining the optimal circuits is lagging, especially in the Ministry of the Forestry Economy and Construction Materials and the Ministry of the Metallurgical Industry, and this delays contracting. There must be firm action in eliminating the situations where ballast products, cement and large panels are conveyed

over 400-500 km, with needless consumption of fuel, instead of promoting local materials in consumption. The plan for the next year ensures the facilities required for the overall use of truck conveyance by utilizing a trailer for each vehicle. However, this involves not only provision of facilities but also better organization in preparing and shipping the goods to each user, determining the routes and loads so that maximum transportation efficiency may be obtained.

In the overall preparations for the implementation of the 1981 plan it is necessary, in the context of tackling, in each unit, of the still unresolved problems, to take priority action to find the solutions that underlie the completion of the tasks for next year, especially in the 1st quarter.

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CSO: 2700

NEW PROVISIONS FOR PAYMENTS BETWEEN SOCIALIST UNITS

Bucharest REVISTA ECONOMICA in Romanian No 41, 10 Oct 80 pp 11-12, 21

[Article by Gh. Marcu: "New Elements in Making Payments Between Socialist Units"]

[Text] In the second quarter of 1980 NORMELE METODOLOGICE No 2, 1980 concerning payments between socialist units was approved and experimentally applied for 1 year. These norms were based on the provisions of the Law on Finance No 9 of 1972 as amended and supplemented by Law No 2 of 1979.

In preparing the new methodological norms consideration was given to the increased tasks of the financial-banking staff in checking the achievement of a high economic effectiveness by each economic unit in the complete and more productive use of the material and financial resources and in strengthening order and discipline in the management of these resources. To this end some regulations were introduced to help strengthen each enterprise's responsibility in management of its funds, consolidation of self-management and the most efficient performance of all economic-financial and production activity.

In view of these particular requirements and the banks' responsibility for organizing clearings in the economy, some common norms applicable by all the banks' units and all socialist units served by them were prepared for the first time. As a result these norms contain some features peculiar to the agricultural, construction and foreign trade units in addition to the regulations common to all sectors of the economy. Through this measure the new regulations will be applied uniformly by all socialist units and bank units. In addition to the innovations introduced by the supplements to the Law on Finance, the new norms also include all supplements or innovations published in other regulatory acts that have a direct bearing on making clearings such as Law No 3 of 1979 amending and supplementing the Law on Economic Contracts No 71 of 1969 and Law No 5 of 1978 on Organization and Management of State Socialist Units, as well as other regulatory acts published from 1976 to the present, that is from the last regulation on making payments between socialist units to the new regulation that we are presenting in this article.

An important rationalization is to be noted, consisting of abrogation of a large number of circulars and circular letters prepared by the National Bank and the specialized banks in 1976-1980. When the present norms were edited these were reanalyzed, systematized and adopted if they were still current. This measure helped to

concentrate the whole subject of clearings in a single norm, which will greatly facilitate knowledge and correct application of them by the banks' inspection organs and also by the personnel in the finance and accounting departments of the socialist units.

To facilitate knowledge of the new provisions, we shall indicate below which of them are most important as well as the reasons they were introduced if necessary.

First of all it should be pointed out that the clearing norms determine the field of application of some new provisions of the Law on Finance, making some qualifications and establishing some technical methods of implementing and applying them uniformly. They also more strictly define some powers of the bank units by specifying some functions involving some preliminary controls over the clearing documents and over refusals to pay, postponements of payments etc.

Concerning opening accounts and subaccounts through which payments between socialist units are made, an important simplification made by the new norms is to be noted, consisting of merging the loan account for documents being collected with the current account of industrial and construction enterprises, the requirement for credits for clearing documents being secured by the credit ceiling set in the current account.

It should also be mentioned that the special purpose funds that can be formed by enterprises and centrals according to Law No 5 of 1978 and the Law on Finance (as for example a fund for scientific research, technological development and introduction of technical progress, a fund for social programs etc.) are also required to be kept (for purposes of their uniform management and to strengthen enterprises' self-administration) in the current account, although they could be kept in separate bank accounts in the period before publication of the new norms. Besides consolidating self-administration, the said measures helped to reduce the number of accounts and the number of transfers between them both at the bank and in enterprises.

For investment activity, it is permitted to open separate accounts at the financing banks for each individual fund (fund for economic development, fund for housing construction and other social investments, the central's own fund for financing the investments in new units with juristic personality and for financing important developments, the fund for organizing a worksite, and other funds according to the norms for financing and crediting the investments).

In order to facilitate use of the order to collect by suppliers and to eliminate a number of exceptions and departures concerning the minimum value limit at which this clearing instrument can be used, a single minimum limit of 500 lei has been set for the use of the order to collect with or without an invoice (the previous limit was 5,000 lei) and for the use of the order to pay. The clearing check, with or without a limit on the sum, can be issued henceforth at the minimum limit of 250 lei.

In order to help the socialist units liquidate minor debits of any value, quarterly cumulative clearing of them is permissible with an order to pay on the payer's initiative, while if a debtor does not pay with this instrument the creditor has the right to introduce an order to collect with an unconfirmed statement of account, which is subject to ratification, in the last month of the half-year. Even in case of rejection, this measure will help a creditor by enabling him to bring the debtor to arbitration.

In view of the necessity of expediting clearing of products that are consumed immediately upon receipt, the Law on Finance provides that the documents introduced for such products shall be cleared as soon as they are accepted by a beneficiary, if the parties have agreed to this by contracts and have the agreement of the banks. The products that can be of this nature have been exemplified by norms, and the scope of these provisions has been determined, as well as the power of the regional bank units to judge other products as being of immediate consumption. It should be mentioned that, in addition to food products in a fresh state, immediate clearing without the payer's approval is also permissible for deliveries of water, electric and thermal power, gases and petroleum products the consumption of which is recorded by meters or other measuring devices and which are already consumed at the time payment is requested. We stress the point that for any differences improperly collected by a supplier, the payer has a right to introduce a refusal to pay later on, which is also cleared without approval. This method of clearing applies only to the products and not to performances of operations and services, which will continue to be cleared only upon the payer's acceptance. It should be added that if violation of the legal conditions or abuses are found, the bank has the right to prohibit the supplier from using this system of clearing and the clearing documents will be subject to the payer's approval.

Another problem regulated in the norms is that of the conditions to be met in presenting the clearing documents when industrial equipment, machinery and installations are delivered before the contractual deadlines. Suppliers are required to present (as a supplement to the clearing documents) a copy of the written agreement of the unit benefiting by the investments and the financing bank on the terms of the Law on Finance. It should be mentioned that the new invoice forms also contain a special entry for this purpose, entitled "delivery time specified in the contract," which suppliers or beneficiaries as the case may be are required to fill out.

In their turn the units of the financing banks are required to check and determine whether the industrial equipment, machinery and installations are delivered on time or before the contractual delivery time specified in the invoice. If the said agreements are not attached to the clearing documents or if the delivery time specified in the contract is not entered on the invoice, the documents are returned to the issuers. The beneficiary also has obligations, and at the time of acceptance he must check the accuracy of the contractual delivery time entered on the invoice, and if the equipment, machinery and installations are delivered in advance without his previous agreement, it is his duty to refuse payment until the time specified in the contract.

Another new provision concerns reception in the bank of the documents for clearing the plans (out of the investment funds), which must be accompanied by the report certifying performance of the planning operations, concluded between the planner and the beneficiary, whereby completion of the operations and their clearing on the basis of the legal approvals is attested.

In view of the legal provisions authorizing the supplier economic units to require customers who are repeatedly late in payment to provide them in advance with the sums necessary to make the payments and to request the bank units to report on the customers' ability to pay, the norms have specified the method of reporting and have provided a model letter in an annex. According to this model, the elements to be communicated refer to the total amount of the customer's overdue payments on the date the communication is sent, the amount of the unrepaid credits due on the same date, and the prospective economic-financial situation in the next 20-30 days, that is whether there are prospects of correcting the situation and of obtaining any credits or

whether an aggravation of the difficulties is expected. This communication is drafted by the operative accounting department in collaboration with the credits sector.

Another innovation is the method of presenting to a bank or accepting the clearing documents referring to supplies of products, with restrictions on payment, to economic units where previous control over making the payments was instituted. The norms state (on the basis of the report drafted by an inspector in which the products subject to payment restrictions were determined) that the paying economic units in this situation are required to present to the bank the clearing documents that refer to the raw materials and materials subject to the payment restrictions, accompanied by a letter naming these materials and their value, the supplier, and the number and date of the invoice, also indicating the item on the invoice as well as the due date of the order to collect.

The norms also present the method of refusing payment of these documents and the way to enter these operations, as well as the way to liquidate these documents, and operation that is possible only if the economic unit proves elimination of the immobilizations that caused these restrictive measures to be applied.

Units unable to pay have been provided with the possibility of requesting, in writing, the bank units where they have opened accounts to reserve for them, 24 hours before the date planned for paying compensation and other such payments, the collections from current activity up to the amount of the respective rights.

In connection with the legal order of payment in units unable to pay, the new norms assimilate bank interest and commissions with repayments of credits, while payments of penalties owed by economic units for breach of economic contracts are included in the last order of payments because they are not considered payments accessory to delivery of goods or performance of operations or services. The norms have also regulated the right of account holders, within the prescribed legal time limit, to request correction of omissions or errors in the account statements even after expiration of the 10 days in which they are required to thoroughly check the operations recorded in the accounts.

To ensure a direct circulation of the documents and to expedite the payments between socialist units, the new norms specify priority use of instruments issued on the payers' initiative. It should be pointed out here that, in order to provide for tight control over the date of receipt from the supplier of the orders to pay with the invoice, which are remitted directly to him, and to ensure collection of the value of the delivered goods as soon as possible, the possibility has been specified of remitting the documents through recommended letters with confirmation of receipt. In this way the payer will have to pay immediately upon receipt and the supplier has a means of control over the date of receipt of the documents, which can also be used to claim penalties in case of litigation in arbitration.

We also note that in investment activity clearing is maintained at the supplier's request through instruments subject to acceptance for construction-installation operations performed and for industrial equipment, machinery and installations delivered.

The measure is also noteworthy that prohibits use of checks in checkbooks with or without a limit on the sum to pay for memoranda of money orders or simple money orders to remit sums through post offices or to pay for fixed assets, inventory items in the nature of fixed assets, supplies or other outlays for which previous control over the payments was instituted.

EXPORT INDUSTRIES TO BE REPRESENTED AT BUCHAREST FAIR

Bucharest REVISTA ECONOMICA in Romanian No 41, 10 Oct 80 pp 13-14

[Article by C. Mircescu: "A Highly Competitive Export Program"]

[Text] Ten years ago the International Union of Trade Fairs approved the founding of the Bucharest International Trade Fair, with its headquarters in Romania's capital.

Now in its sixth version, the TIB [Bucharest International Trade Fair] (housed in the modern exposition complex on the Piata Scintei) has won a well-deserved international prestige in the last decade as a productive medium for developing international trade and economic cooperation with a major role in developing Romania's international economic relations with partners on all continents.

For a country like Romania, which logs rates of industrial development among the highest in the world along with considerable changes in the structure of industry and in general in the structure according to sectors of the economy, presentation of new export offerings and innovations in industrial cooperation is vital to its further involvement in the world economic cycle.

By founding the TIB and by participating with a national pavilion in over 40 trade fairs and expositions abroad every year, the Romanian exporters express their wish to penetrate the international market "by the front door" through a steady promotional effort and not "by the back door" through price concessions.

Particular attention should be called to the importance of promotional activity in the subject field of the TIB, namely machines, equipment and machine building installations, which are also one of the most dynamic sectors of Romanian industry and the group of products with the largest share (over one-third) in Romania's foreign trade structure.

A review of the growth rates of the machine building industry compared with all industry brings out the consistent strategy of priority development of this sector.

Today Romania's machine building industry contributes 34 percent of the gross output of all industry and supplies over 75 percent of the manufacturing equipment essential to the investment projects for the whole national economy. A high competitive power of the products is maintained by a strong technical creative force, so that about 90 percent of the engineering applied in this sector is original and Romanian.

Industrial sector	Annual growth rate (in percentages)		
	1966-1970	1971-1978	1976-1978
Machine building and machine processing	16.2	16.5	13.7
Including:			
- Machine building	16.8	12.4	13.6
- Electric and electronic equipment	19.3	18.6	13.6
- Metal structures and metal products	16.1	14.0	14.2
Total for industry	17.1	12.2	11.0

Major machine building capacities have been activated in recent years, provided with equipment on a high technological level, such as the heavy machinery enterprises in Bucharest, Iasi, Cluj-Napoca, Craiova and Timisoara that have greatly enlarged the assortment of manufactures and exports of metal processing machines for parts of huge size (weighing up to 150 tons, up to 16 meters long and 10 meters high), such as steam turbines, high-power turbine sets (up to 330 megawatts), hydraulic turbines of the Pelton, Francis and Kaplan types, and rolling mills for sheet steel with widths of 1,000-3,500 meters. Production of manufacturing equipment has been developed and diversified, new capacities for manufacturing automation and electronic equipment have been activated, etc. The specific effect on foreign trade is an increase by 2.3 times in machinery exports in the first 4 years of the current five-year plan.

Romania now has one of the longest lists of machine tool exports in the world, although the machine tool industry has been created in its broad lines in the last three five-year plans. Between 1965 and 1979 the machine tool output increased by 27 times and exports by 32 times. While in 1965 the output amounted to \$15 million, \$4 million of which were represented by exports, in 1979 it came to \$403 million, \$130 million of which were represented by exports. Heavy machine tools and machine tools with program control and high technical performances are now exported to the United States, the FRG, Italy, France and Japan.

The electrotechnical and electronic products in the export program Romania is presenting at the current TIB include electronic equipment (both professional and that for automating production processes), modern electronic components, electronic medical equipment, telecommunications apparatus, relays, telephone centrals, electric motors, transformers and electronic microscopes.

Thanks to more than 100 years of experience in petroleum drilling and extraction, Romanian petroleum equipment is rated today among the safest in operation. It consists of a complete assortment of installations, from 1,200 meters to 10,000 meters in drilling depth, and it is of entirely original, Romanian design.

The beneficiaries of Romanian drilling installations now include dozens of countries, such as Algeria, Brazil, Czechoslovakia, the People's Republic of China, the GDR, India, Libya, Pakistan, Syria, Turkey, Hungary and the USSR.

Production of manufacturing equipment for the metallurgical, power, food and other industries is represented in the structures of the respective industrial centrals by models of capacities built in Romania or abroad.

The broad subject matter of the international trade fair to be held in Bucharest from 9 to 18 October under the slogan "Trade-Cooperation-Development" has attracted the participation of more than 1,000 Romanian and foreign firms.

Romania will be represented by pertinent industrial centrals, research institutes and enterprises producing for export. They are presenting both their products on the current list of exports and innovations made in the last 2 years.

The foreign offerings are presented by more than 800 firms in 31 pavilions and on outdoor stands. Of the 26 countries exhibiting alongside Romania, 19 are represented by official pavilions, namely England, Austria, Bulgaria, Czechoslovakia, Denmark, Switzerland, Finland, France, the GDR, the FRG, Italy, Israel, Yugoslavia, Japan, Norway, Poland, the United States, Hungary and the USSR.

Some 150 other firms in Austria, Belgium, Switzerland, France, the FRG, Italy, Japan, Great Britain, Sweden, the Netherlands, Liechtenstein, Spain, the Philippines and Peru have stands for direct, individual exhibition at the fair. We note as usual the presence of many firms of international renown like SKF, Hewlett-Packard, Rhode and Schwarz, and Iver Karl Rajik in Austria; Brown-Boveri and Gitec in Switzerland; Merkel, Rexroth, Hofmeister and Blocher in the FRG; Renault and Union Industrielle in France; Aerospace and Lea Grant in England; Fiat, Bonvicini, Siemu and Sias Acciai in Italy; Mitsubishi in Japan; Esab and Flygt in Sweden; Philips in the Netherlands; Bell Telephone in Belgium; and Balsers in Liechtenstein.

Alongside the Romanian offerings, the extensive participation of the foreign firms guarantees specialists, technicians and businessmen that this version of the TIB will occasion a useful exchange of technical experience and profitable trade transactions.

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DRAFT AGREEMENT OUTLINED FOR UNDERDEVELOPED REGIONS

Sarajevo OSLOBODJENJE in Serbo-Croatian 9 Oct 80 p 3

[Excerpts] According to the draft agreement on the faster development of the underdeveloped republics and the province of Kosovo in the next 5 years, these republics are to develop 15 to 20 percent faster than the country average, while Kosovo should develop 50 to 60 percent faster than the average. The basis of this policy of development is the association of labor and funds on the principle of income. Work organizations from the whole country, primarily, of course, from the developed parts can best stimulate the economic progress of undeveloped areas through their own interests and obligations to assist and by joint investments. In fact, it is expected that various forms of business cooperation will in future become the foundation of such development. Of course, part of the activity will develop, as heretofore, through the Fund for Stimulating Development of the Economically Undeveloped Republics and Kosovo. Finally, it is expected that some of the funds for this purpose will be provided from the federal budget, and in the use of international credits these areas should have priority over the others.

The draft agreement calls for the [above] fund to be formed so that 1.97 percent of the social product of Yugoslavia is earmarked for this purpose, and one-half of these resources would serve as a base for joint investment, while the other half would be an obligatory loan into which all economic OOURs (basic organizations of associated work) would pay. The monies in the fund would be divided so that 0.42 percent would be allocated for the development of Kosovo. The rest would be divided among the three republics and Kosovo, with Bosnia-Hercegovina getting 34 percent, Montenegro 12 percent, Macedonia 24 percent and Kosovo the remaining 30 percent. In this way 45 percent of the permanent funds of the fund would be invested in the Kosovo economy, 26.7 percent in Bosnia-Hercegovina, 18.9 percent in Macedonia and 9.4 percent in Montenegro.

Funds from the obligatory loan would be returned in 13 annual installments at 5 percent interest. For Kosovo the funds would be borrowed for an average of 15 years at 4.5 percent interest.

In order to stimulate association, it is necessary to propose regulations to partially or wholly exempt [enterprises] from certain contributions [i.e., a form of tax] for a certain period. In their regulations the republics and provinces should establish the conditions and advantages which would stimulate

association. If, nevertheless, [enterprise] linking [association] does not take place, [between enterprises in developed republics and those in undeveloped ones], [developed] republics would have to compensate for this in the form of the obligatory loan.

In regard to supplementary funds, the draft agreement calls for a declining scale. In 1981, thus, 0.93 percent of the [Yugoslav] social product would be earmarked for these funds, but the rate would decline by 0.02 percent each succeeding year. From this amount, 0.16 percent would be allocated for the development of Kosovo, 0.03 percent for Montenegro, and from the remaining part Bosnia-Herzegovina would get 40.15 percent, Montenegro 10.3 percent, Macedonia 18.3 percent, and Kosovo 31.25 percent. Or, of the total supplementary fund Bosnia-Herzegovina would get 32 percent, Montenegro 11.4 percent, Macedonia 14.6 percent and Kosovo 42 percent. The use of these funds would also be regulated by republic and provincial regulations.

Finally, the draft agreement rules that 70 percent of the credits from the International Bank for Reconstruction and Development, and from the European Investment Bank would be allocated for the underdeveloped regions, and distribution to individual areas would be the same as with the other monies of the Fund.

CSO: 2800

CONFERENCE ON DRAINAGE, IRRIGATION SYSTEMS IN KOSOVO

Shortcomings, Plans, Status

Pristina JEDINSTVO in Serbo-Croatian 21 Oct 80 p 3

[Excerpts] Participants at the 9th meeting of the Yugoslav Association on Drainage and Irrigation which was held a few days ago in Pristina made a significant contribution to the search for the best solutions in using existing hydro-systems and those under construction, and in finding possibilities for long-term planning and construction of new water usage undertakings and small storage lakes, and planning for the use of underground water and wells in Kosovo. With considerable investments 10 new hydro-systems have been built which, together with existing systems, are enabling the irrigation of about 50,000 hectares, or 12 percent of the total arable land. With the building of the "Ibar" and "Radonjic" systems and small water storage lakes in the province, about 135,000 hectares of arable land will be irrigated. This will create the conditions for the effective use of water for increasing agricultural production and for the faster development of the province.

But despite the good results in building and organizing the water systems, problems and weaknesses continue to be present, involving, above all, unregulated land areas, fragmented land plots, the use of water without allowing for previous accumulation, the incomplete status of individual water systems, and their poor maintenance.

According to studies, good conditions exist in Kosovo for irrigating over 200,000 hectares, or 50 percent of the arable land. In the coming period the question of irrigation and drainage must be resolved, especially if one bears in mind the significance of agricultural development in the total development of the province.

Drainage Projects

Pristina JEDINSTVO in Serbo-Croatian 25 Oct 80 p 7

[Excerpts] Land improvement in Kosovo up to now has been largely oriented toward irrigation, while drainage has not been given much attention. Several

drainage projects have been worked out for certain small areas but most of these have not been carried out. Only three small systems of about 600 hectares in Prizren Opstina have been built. At the recent conference of the Yugoslav Association for Drainage and Irrigation, Branko Pejovic, agronomy engineer from the Institute for Water Management in Belgrade, said that most of the areas to be drained are in places threatened by floods and that unregulated flood-protection measures have contributed to the lag in building drainage systems.

The construction of two large irrigation systems ("Ibar" and "Radonjic") are in process, so the problem of drainage must be solved in accord with this construction before irrigation can begin. According to studies, drainage must be carried out on about 30,000 hectares, or about 6.5 percent of the agricultural land of the province.

CSO: 2800

BRIEFS

YUGOSLAV-IRANIAN TRADE--In the first 9 months of this year total trade amounted to \$125.1 million (\$62.4 million in exports and \$62.7 million in imports). Compared to the same 1979 period, exports increased by 344 percent and imports by 3,348 percent. About 70 Yugoslav production and export organizations exhibited at this year's 7th international trade fair in Teheran (19 September to 1 October). The commercial success was more than expected, with our organizations concluding over \$50 million worth of business to be realized this year and next, especially in consumer goods, electric industrial products, appliances and metal productions. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 5 Nov 80 p 12] The value of our exports to Iran are expected to exceed \$170 million by the end of 1980; this is almost 10 times more in volume than exports in 1979. In the January-October period "Generalexport" which conducts business for the Yugoslav pharmaceutical industry shared in two Iranian bids; one represented \$263,000 worth of exports of one product and the other, about \$1,228,400 worth of several products. The greatest limiting factor is the problem of transporting goods to Iran. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 7 Nov 80 p 3]

FOOD PRODUCTION IN MACEDONIA--In the 1981-85 period bread grain production (wheat and rye) in Macedonia should stabilize at about 370,000 tons annually. Corn production should increase to 150,000 tons which, together with other feed crop expansion, should accelerate livestock raising. Also planned by 1985 is an annual production of 45,000 tons of rice, 250,000 tons of sugarbeets (almost 4 times the present production), about 50,000 tons of sunflowers and rape, and 36,000 tons of tobacco (about 6,000-8,000 tons more than now). [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 6 Nov 80 p 12]

MACEDONIAN FARMLAND REDUCED--The Institute for Agricultural Economics and Organization in the Macedonian Economic Chamber estimates that the land area in this republic is seriously threatened. For instance, it is said that every year arable land declines by 3,000 hectares, and in the last 20 years it has declined by 60,000 hectares. It would be very bad for Macedonian agriculture, it is thought, if productive and quality farmland is consumed by urbanization, industrialization, the electric power industry with its artificial water storage lakes, roads, unplanned construction, and [is impoverished by] the massive migration from village to city. Also of concern is the fact that 25 percent of the arable land remains uncultivated every year. In 1978 this amounted to 111,000 hectares. Pastureland is also decreasing although even

that which exists is only 30 percent used. Nevertheless, Macedonia has increased its agricultural production above the Yugoslav average. At the same time labor productivity in agriculture is growing faster than in other Yugoslav agricultural regions. The social product of the private sector is on the rise. But that which is not being produced on land which has been abandoned or turned to other uses is lost income. [A related problem is] that agriculture operates in an atmosphere of uncertainty in regard to prices for its products. Because of unregulated prices, interest often declines in producing wheat, tobacco, cotton, sugarbeets and sunflowers. As a result there is now a shortage of cooking oil. [Excerpt] [Belgrade BORBA in Serbo-Croatian 6 Oct 80 p 2]

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